

COMMERCIAL PROPERTY MANAGEMENT AGREEMENT

This Management Agreement is entered into this 11th day of October, 2019, by and between Cypress School District ("Owner"), and Pan American Properties, Inc., a California Corporation ("Agent").

RECITALS

1. Whereas Owner owns the Property described in Exhibit "A" ("Property") attached hereto and made a part hereof; and
2. Whereas Agent is a professional asset management company and a licensed real estate broker in the State of California engaged in property management and leasing; and;
3. Whereas Owner desires to engage the services of Agent in connection with management and leasing of the Property and Agent desires to render such services to Owner upon the terms further described below.

Now, therefore, in consideration of the mutual obligations, agreements, and other consideration set forth below, the parties agree as follows:

- I. APPOINTMENT, AUTHORITIES, RESPONSIBILITIES, AND DUTIES OF AGENT.** Owner hereby appoints Agent and Agent hereby accepts appointment as the sole and exclusive leasing/management agent and representative of Owner for the sole purpose of leasing and managing the Property on the terms and conditions set forth below. The authorities, powers, responsibilities, duties, and limitations of Agent in connection with the management of the Property are as follows:
 - (A) Collection of Rent.** At Owner's sole expense, Agent shall take reasonable steps to collect and enforce the collection of rent and any other charges due Owner from tenants of Property in accordance with the terms of their leases or rental agreements.
 - (B) Payment of Expenses.** Agent is authorized to pay all loan payments, operating expenses, and other expenses related to the Property, including Agent's compensation described in Exhibit "B" ("Schedule of Fees"), attached hereto and made a part hereof, from the Management Account (as defined in Recital J below). In the event that funds in the Management Account are not sufficient to pay all such expenses, Owner shall, promptly upon oral and/or written notification from Agent, make the necessary funds available to Agent in order cover all such expenses. During any time in which the funds in the Management Account are not sufficient to pay all such expenses, Agent's compensation described in the Schedule of Fees shall have priority over the payment of any other expenses relating to the Property.
 - (C) Management Responsibilities.** Agent shall manage and maintain the Property in an efficient and satisfactory manner, in Agent's reasonable opinion. Agent's management responsibilities shall include conducting periodic general visual inspections, supervising maintenance activities, and coordinating work for such ordinary repairs as may be required by Owner. All repairs and maintenance, the cost of which exceeds five thousand dollars (\$5,000.00) and which are not in the Property's budget, shall be undertaken or made by the Agent on behalf of the Owner only after securing Owner's approval. In the event of an emergency, as reasonably determined by Agent, including a need for emergency repair work, Agent shall not be required to secure Owner's prior approval before expending funds, but shall give prompt notice, written or oral, of any such emergency expenditure, including repairs, to Owner. Owner hereby acknowledges

that Agent is authorized to undertake any emergency repair work at its discretion. All repairs, maintenance, and any other expenditure described in this Agreement shall be undertaken by Agent on behalf of Owner as Owner's authorized and designated representative and the cost, expense and liability of the same shall be borne solely by Owner as an expense of the Property.

- (D) Assigned Property Manager.** Agent's assigned manager for the Property shall be regularly available to spend as much time as is reasonably necessary with Owner or its representatives to properly coordinate Agent's management activities.
- (E) Record Keeping.** Agent shall maintain accurate records of all moneys that Agent received and disbursed in connection with its management of the Property. All such records shall be open for inspection by Owner at all reasonable times, but in no event earlier than after three (3) business days' prior notice. Upon receipt of Owner's written request for the same, Agent shall prepare a financial reporting package consisting of a cash flow statement, statement of operations and budget variance report, check register, rent roll and tenant status report for Owner, no more often than on a monthly basis. At the request of Owner, Agent shall prepare additional specialized reports. Owner shall reimburse Agent for the cost of generating such additional reports, in an amount to be agreed upon in writing by the parties. Agent agrees that all records, licenses, permits, files, and other documentation that are kept on site at the Property shall at all times be the property of Owner.
- (F) Annual Statements.** Upon receipt of Owner's written request for the same, Agent shall no more than once per calendar year, prepare detailed income and expense cash flow budget(s) for the next fiscal year relating to the Property. Such budgets shall be submitted to Owner at a mutually agreeable date prior to the commencement of each fiscal year.
- (G) Rental Activities.** Agent shall manage the rental marketing and leasing activities of the Property. Agent shall approve leases, month-to-month tenancies, and lease renewals upon terms approved by Owner, whether verbally or in writing. All leases shall be signed by Agent on behalf of Owner as Owner's authorized and designated representative. Agent shall be responsible for safekeeping all lease and tenancy documents.
- (H) Service and Labor Contracts.** Agent shall negotiate service and labor contracts, on behalf of the Owner, which are required in the ordinary course of managing the Property, including contracts for utilities, cleaning, security, pest control, trash collection, landscaping, maintenance, parking lot and driveway maintenance, to the extent that the same are applicable and/or advisable in Agent's sole discretion. All such contracts shall be signed by Agent on behalf of Owner as Owner's authorized and designated representative. The expenses for such services shall be borne solely by Owner as an expense of the Property.
- (I) Legal Counsel.** Agent is not licensed to practice law; therefore, Agent shall, at its discretion, retain such legal assistance and/or legal representation on behalf of the Owner as is advisable, prudent and/or needed for such matters, including, without limitation, the collection of rent or eviction of any tenant. All such retention agreements shall be signed by Agent on behalf of Owner as Owner's authorized and designated representative. Attorney's fees and any other legal expenses for such counsel or counsel relating to the Property shall be borne solely by Owner as an expense of the Property.
- (J) Management Account.** All moneys received by Agent for, or on behalf of Owner shall be deposited in a separate federally insured bank account, acceptable to both Owner and Agent ("Management Account") and shall not be mingled with any of Agent's funds. The Management Account shall be subject at all times to the sole control of Agent.

- (K) Interest Bearing Account.** If after paying all expenses relating to the management and operations of the Property any excess funds are available, upon Owner's written request, Agent shall deposit the same into an Interest Bearing Account, only if sufficient funds exist to meet the minimum requirement of a federally insured bank. If insufficient funds exist to pay all expenses relating to the management and operations of the Property, Agent shall, subject to Section I(B), first pay all payroll and tax obligations and then pay all budgeted and/or approved obligations in the order in which they arose. Agent shall notify Owner of any shortfall in the operating account.
- (L) Legal Compliance.** Agent does not assume and is given no responsibility for, compliance of any building on the Property or any equipment therein with the requirements of any statute, ordinance, law or regulation of any governmental body or of any public authority or official thereof having jurisdiction except to notify the Owner in a timely manner or forward to the Owner promptly any complaints, warnings, notices or summons received by Agent. Owner represents and warrants that the Property and any equipment at the Property comply with all such requirements and authorizes Agent to disclose the ownership of the Property to any officials or governmental agency and agrees to indemnify and hold harmless Agent, its representatives, servants, agents, assignees and employees of and from all loss, cost, expense and liability whatsoever which may be imposed on them or any of them by reason of such laws, ordinances, statutes or regulations.
- (M) Agent's Duties.** Agent's authorities, powers, responsibilities, and duties specifically provided for under this Agreement (collectively "Duties") are contingent upon and subject to (i) the existence of sufficient funds existing in the Management Account to enable Agent to perform its Duties and (ii) the nonoccurrence of an act of God, any other force majeure event, and/or event outside of Agent's reasonable control, which would make Agent's performance of its Duties under this Agreement either unreasonable or otherwise impracticable.
- (N) Environmental Conditions.** Owner acknowledges that Agent is not an environmental consultant and does not possess expertise in this technical discipline. Therefore, with respect to any environmental conditions or issues relating to the Property or the condition of the Property or the condition of any equipment at the Property, Owner, and Owner's officers, directors, partners, shareholders, agents, employees, and contractors agree and acknowledge that Agent and Agents' officers, directors, partners, shareholders, agents, and employees are not "Operators" (or legally equivalent term) as defined by any current or pending federal, state, or local laws. Furthermore, unless mutually agreed to in separate writing, Agent shall not be responsible for the storage, transportation, disposal, abatement, cleanup, or removal of any Hazardous Materials on, about, or affecting the Property, except for those Hazardous materials, if any, used by Agent in the ordinary course of its management activities.
- (O) Agent's Funds.** Notwithstanding any contrary provision herein, Agent shall not be obligated to use or advance any of its own funds or to incur any obligations on its own behalf with respect to any of the expenses or obligations in connection with the Property or its services hereunder. If however, at Agent's sole discretion, any such expenses are paid out of Agent's own funds, it shall immediately be entitled to reimbursement from Owner therefore, together with interest thereon at the per annum rate which is three percent (3%) in excess of the Prime Rate as published from time to time in The Wall Street Journal for corporate borrowers of the highest credit standing for short term, unsecured loans, but not to exceed the maximum rate permitted by law, from the date of such payment to the date of such reimbursement. Further, Agent may apply the next receipts derived from the operation of the Property to the payment thereof.
- (P) Changes in Ownership.** On any change in ownership of the Property or in the ownership of the Owner, whether by inheritance, reorganization, transfer in or out of a Trust or otherwise, Agent shall be entitled to a fee of \$100 per hour for all time spent changing

records, at meetings and in telephone calls with heirs, writing letters, attending probate hearings or any other actions arising from and reasonably related to such a change in ownership. This fee shall be in addition to any other amounts due pursuant to subparagraph 1(L) above.

II. INSURANCE

- (A) Agent's Insurance.** Agent shall purchase and maintain workers' compensation insurance for its employees who are employed in connection with the performance of its obligations under this Agreement. Such insurance shall comply with California statutory requirements. The workers' compensation insurance shall contain employer's liability insurance with limits of liability not less than One Million Dollars (\$1,000,000.00) for each accident and One Million Dollars (\$1,000,000.00) annually in the aggregate.
- (B) Owner's Insurance.** Owner (*or Agent with Owner's written instructions*) shall purchase and maintain the following insurance coverage, all of which shall name the Agent as an additional insured on a primary basis so that any insurance maintained by Agent shall be in excess and non-contributing with Owner's insurance:
- (1) Property Insurance** in an amount equal to the greater of: **(i)** the full replacement cost of the building(s) and improvements which comprise the Property, Owner's contents, and one year's rental income; or **(ii)** the current limit carried by Owner. The property insurance shall be written on an "All Risks" form and shall include adequate limits for debris removal and coverage for boiler and machinery exposures, including loss of off-site utilities, and agreed amount or equivalent endorsements which eliminate the application of coinsurance penalties. The property insurance shall also include coverage for loss of property or rental income from demolition and increased cost of construction occasioned by operation of building codes or other legal requirements.
- (2) General Liability Insurance** written on an occurrence basis with limits of liability equal to the greater of: **(i)** One Million Dollars (\$1,000,000.00) per occurrence and aggregate, or **(ii)** the current limit carried by Owner. The liability insurance shall be in a comprehensive or commercial general liability form, covering bodily injury, property damage, personal injury, and advertising injury arising out of premises operations of the Owner, and shall include blanket contractual liability specifically covering liabilities assumed by Owner under this Agreement, products and completed operations, independent contractors, broad form property damage, including completed operations, and premises medical payment.
- (C) Requirements for Owner's Insurance.** Owner and Agent shall furnish certificates of insurance to the other which evidence that the required coverage's under this Agreement are in effect with carriers with a Best's rating of "A" or better. The certificates of insurance shall contain either a cross-liability or severability of interest endorsement providing for coverage of a claim by one insured against another insured. The certificates of insurance shall also contain endorsements providing that the Owner's and Agent's insurance carriers expressly waive all rights of subrogation against Owner, Agent, and their insurance carriers, as applicable, with respect to losses payable under all insurance policies required under this Agreement to the extent of any insurance proceeds paid under such insurance policies, and requiring that Owner and Agent receive thirty (30) day advance written notice of cancellation or non-renewal. Owner and Agent each hereby expressly waive any right of subrogation which might otherwise exist in or accrue to any person or entity with respect to losses payable under all insurance policies required under this Agreement to the extent of any insurance proceeds paid under such insurance policies. In the event Owner does not provide Agent with the certificate(s) of insurance required under this Agreement, Owner shall promptly reimburse Agent for any and all costs Agent incurs in obtaining such insurance coverage and/or certificate(s) of insurance. Deductibles, if any,

shall be financially reasonable and shall be the responsibility of the party arranging the insurance.

(D) Non-limitation of Liability. Nothing contained in this Agreement shall be construed as limiting the extent of any party's responsibility for the payment of damages resulting in connection with this Agreement, nor shall anything contained herein be deemed an acknowledgement by either party to this Agreement that the insurance required hereunder is sufficient for the conduct of the other party's business.

III. OWNER'S RESPONSIBILITIES. In consideration of the services outlined herein to be rendered by Agent under this Agreement, in addition to any terms provided above, Owner agrees as follows:

(A) Owner's Property Documentation. To promptly furnish Agent with all documents and records needed to manage the Property, including without limitation, leases and/or rental agreements for all units at the Property, including amendments and pertinent correspondence relating thereto, status reports concerning lease and/or rental payments, insurance policies, loan payment information, copies of existing service contracts, property tax bills, vendors' insurance certificates, and schedules of Owner's current and past insurance policies and procedures for reporting claims and evaluating safety and loss prevention conditions.

(B) Owner's Payment of Agent. To timely and promptly pay Agent for its property management and other services (as authorized by Owner) the amount and in the manner described in the attached Schedule of Fees.

(C) Sufficient Funds. To timely and promptly provide Agent sufficient funds to be deposited into Management Account to pay all expenses, mortgages, taxes, etc. in a timely manner, and to cover all shortfalls arising during operations

(D) Prompt Reimbursement. To promptly reimburse Agent for any and all funds advanced by Agent to Management Account pursuant to paragraph 1(O) above for carrying out the terms and conditions of this Agreement; it being understood, however, that in all events, Agent is not obligated to make any such advances.

(E) Prompt Disclosure of Claims. To disclose promptly to Agent, in writing, any unresolved past or present claims, conditions, or occurrences which may become future claims, conditions, or occurrences which would not be covered by insurance policies maintained by Owner, including those policies required to be maintained by Owner under this Agreement.

(F) Disclosure of Property Conditions. To promptly inform the Agent in writing of the existence on the Property of any structural defect at or upon the Property or adjacent properties or poses or threatens to pose any nuisance or any hazard to the health or safety of any persons on or about the Property. Owner further agrees to correct or otherwise repair, at Owner's sole expense, any such structural defect within a reasonable time after informing Agent of its existence.

(G) Hazardous Materials. To promptly inform the Agent in writing of the existence on the Property of any hazardous material or substance, including any hazardous material or substance which is or becomes defined as a "hazardous waste", "hazardous substance", pollutant, or contaminant under any federal, state, or local statute, regulation, rule, or ordinance or amendments thereto including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. ss 9601) and/or the Resource Conservation and Recovery Act (42 U.S.C. ss 6901), the presence of which either: **(1)** requires investigation or remediation under any federal, state, or local laws, rules, codes, statutes, regulations, orders, notices,

determinations, ordinances, or other requirements; or **(2)** causes or threatens to cause a nuisance upon the Property or adjacent properties or poses or threatens to pose any hazard to the health or safety of any persons on or about the Property (collectively "Hazardous Materials").

- (H) Environmental Investigations.** To promptly take, at Owner's sole expense, all measures, including without limitation, the commission of inspections, tests, studies, and remediation activities to insure that the Property complies with all federal, state, or local laws, rules, codes, statutes, regulations, orders, notices, determinations, ordinances, or any other requirements relating to any such Hazardous Materials. Furthermore, Owner, at Owner's sole expense, shall obtain and maintain and require all contractors and consultants to obtain and maintain liability insurance in an amount sufficient to adequately insure against any identified or suspected environmental hazard at the Property or any other hazards relating to any such inspections, tests, studies, and remediation activities. All such liability policies shall name Agent as an additional insured. Agent shall be entitled to receive certified copies of all such policies upon request.
- (I) Legal Compliance.** Owner, at Owner's sole expense, shall comply with and abide by all laws, rules, codes, statutes, regulations, orders, notices, determinations, ordinances, and any other requirements of any federal, state, or local authority, now in force or which may hereafter be in force, relating to the Property.
- (J) Sole and Exclusive Property Management Relationship.** During the term of this Agreement, Owner shall not authorize any other person, firm, or corporation to act as an agent or leasing agent with respect to the management and maintenance of the Property or to perform any of the other duties of Agent hereunder and shall not permit any person, firm or corporation other than Agent to have or maintain any rental or lease signs in or about the Property. Agent shall have the sole right to display on the Property suitable signs indicated that Agent is the exclusive managing and/or leasing agent of the Property.

IV. INDEMNIFICATION. Owner agrees to promptly indemnify, defend, protect, and hold Agent and Agent's officers, directors, partners, shareholders, agents, and employees (collectively "Indemnities") wholly harmless from and against any and all liabilities, claims, demands, legal or administrative proceedings, actions, allegations, damages, settlement payments, judgments, costs, and expenses of any nature whatsoever, including reasonable attorneys' fees and any other disbursements arising out of or relating to any goods or services provided to the Property or any damage to property, any loss of use of any property, any injury to or death of any person(s), any environmental remediation or restroations activities, or any other loss or liability of any nature whatsoever which the Indemnities may become subject to in connection with the ownership, use, or management of the Property and resulting from any cause whatsoever except for Agent's gross negligence or willful misconduct (collectively "Claims") to the extent such Claims are not covered under and paid in full by the general liability insurance of Owner. In the event any legal action(s) or any other proceeding(s) may be brought against the Indemnities by reason of any such Claims, Owner, upon written notice from Agent, shall promptly defend the Indemnities, at Owner's sole expense, by counsel selected by Agent. This indemnity obligation shall survive the expiration or termination of this Agreement.

V. TERM OF AGREEMENT:

- (A) Effective Date.** This Agreement shall be effective as of the 11th day of October, 2019 ("Effective Date") and shall continue in full force and effect until the 10th day of October, 2020 ("Term"). This Agreement, if not earlier terminated in accordance with Paragraph V(B) below, shall automatically continue thereafter for successive one (1) year periods on the same terms and conditions, unless otherwise agreed to in writing by the parties.
- (B) Termination of Agreement.** Notwithstanding Paragraph V.(A) above, this Agreement may be terminated, and the obligations of the parties hereunder shall cease, upon the occurrence of any of the following:
- (1)** In the event of a sale, disposition, foreclosure, or condemnation of any of the Property, Owner or Agent may terminate this Agreement as to that Property upon ten (10) days written notice to the other party.
 - (2)** If a petition in bankruptcy is filed by or against either the Owner or the Agent, or if either shall make an assignment for the benefit of creditors or take advantage of any insolvency act, Owner or Agent may terminate this Agreement upon ten (10) days written notice to the other party.
 - (3)** If Owner or Agent shall default in the performance of any of their obligations under this Agreement and such default shall continue for thirty (30) days after written notice from one party to the defaulting party designating such default, the party not in default may terminate this Agreement upon written notice to the defaulting party. Notwithstanding the foregoing, in the event that an obligation requires more than thirty (30) days to cure, should Agent have commenced to cure such obligation within such thirty (30) day period, then Agent shall not be in default.
 - (4)** Either Owner or Agent may terminate this Agreement upon thirty (30) days written notice to the other.
- (C) Payment After Termination.** In the event Owner exercises its termination rights under Paragraph V.(B) above, Owner shall pay Agent an amount equal to the monthly management fee described in Paragraph (A) in the Schedule of Fees to reimburse Agent for administrative and closing expenses relating to such termination.
- (D) Termination of Responsibilities.** Upon termination of this Agreement, the relationship created hereby shall immediately cease and terminate, and the Agent shall have no further right or duty to act for the Owner or draw checks on the Management Account except as set forth in this paragraph. In all events Owner shall be responsible to pay any accrued fees or other amounts due Agent as contemplated by this Agreement. Agent shall pay all monies remaining in the Management Account to Owner within 90 days of the termination, less any amounts Agent deems, in its sole discretion, necessary to pay outstanding invoices, checks, emergency repair costs during the termination period, and any accrued fees or other amounts due Agent. Payment of operating expenses for the Property shall be paid prior to, and as a preference to any distributions to Owner.
- (E) Delivery of Records Upon Termination.** Upon termination of this Agreement, Agent shall deliver to Owner within thirty (30) days of Termination, or its designated representative, all records, licenses, permits, leases, files, and any other documentation in the possession of Agent pertaining to any or all of the Property together with any other property of the Owner in the Agent's possession.

VI. NOTICES:

(A) Owner's Notice Information. For purposes of this Agreement, and until changed by written notice to Agent, Owner's mailing address and contact person for all purposes shall be:

Cypress School District
Tim McLellan, Assistant Superintendent
9470 Moody Street
Cypress, CA 90630

(B) Agent's Notice Information. For purposes of this Agreement, and until changed by written notice to Owner, Agent's mailing address for all purposes shall be:

Rick J. Hoegler
Pan American Properties, Inc.
17491 Irvine Blvd. #100
Tustin, CA 92780-3056

VII. GENERAL PROVISIONS:

(A) Entire Agreement. This Agreement represents the entire Agreement between the parties and supersedes all prior oral and written proposals and communications. This Agreement shall be for the benefit of and binding upon the heirs, successors, and assigns or the parties hereto. This Agreement cannot be assigned without the written consent of the other party, except that Agent may assign this Agreement pursuant to a merger or reorganization of its parent company, any subsidiary or the parent or Agent, or any affiliate of either.

(B) Rule of Law. This Agreement shall be governed by the laws of the State of California with venue in the Superior Court for the County of Orange.

(C) Authority of Signatory. The person or entity executing this Agreement on behalf of Owner hereby represents and warrants that it is either the Owner of the Property, has legal authorization from the Owner of the Property, or has the Power of Attorney from the Owner of the Property and has the authority to legally bind Owner to this Agreement.

(D) Enforceability and Severability. This Agreement shall be considered severable such that if any provision or part of this Agreement is ever held invalid under any law or ruling, all remaining portions of this Agreement shall remain in full force and effect to the greatest extent allowed by law.

(E) Attorney's Fees. In the event any dispute arises which in any way relates to this Agreement, the prevailing party shall be entitled to recover its attorneys' fees and other legal costs, including costs of investigation, preparation, and judgment enforcement, from the other party.

(F) Arbitration Agreement. All disputes arising out of or relating to this Agreement shall be settled through final and binding arbitration before a retired judge for Judicate West, ADR Services, or Judicial Arbitration and Mediation Services with all hearing to be held in Orange County, California. The arbitrator shall have the authority to order or award all appropriate, equitable and legal relief. Judgment upon the written award rendered by the arbitrator, which award shall describe substantive and legal basis for the decision reached by the arbitrator, may be entered in any court having jurisdiction thereof.

(G) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(H) Headings. The headings and captions in this Agreement are for reference and convenience only and shall not limit or otherwise affect the meaning thereof.

(I) Assignability of the Agreement. This Agreement shall be binding upon and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of the parties.

(J) Limitation of Relationship. Nothing in this Agreement shall constitute or be construed to create a partnership, joint venture, or relationship of employer and employee between the Agent and the Owner, it being the intent of the parties hereto that the relationship created hereby is that of independent contractor for the sole and exclusive purpose of managing the Property on behalf of and for the benefit of the Owner.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the day and year first above written.

OWNER: Cypress School District

AGENT: Pan American Properties, Inc.
A California Corporation

By: _____

By: _____

Printed: Tim McClellan

Printed: Rick J. Hoegler

Title: Assistant Superintendent

Title: President

Tax ID#: 95-6000976

Broker's License #: 01135686

Business Phone #: (714) 505-5544

Facsimile #: (714) 505-5540

EXHIBIT "A"

THE PROPERTY

5816 Corporate Avenue
Cypress, CA 90630

EXHIBIT "B"

SCHEDULE OF FEES

Owner agrees to pay Agent as follows:

A. PROPERTY MANAGEMENT FEE AND ON-SITE EXPENSE REIMBURSEMENT.

Owner shall pay Agent a monthly fee equal to four percent (4%) of the total monthly gross receipts from the operation of the Property or \$1,000 per month, whichever is greater. Monthly gross receipts are all sums collected from the operation of the Property, including, but not limited to, rents, security deposits when converted to rental income, laundry income, late charges, parking fees, and any other moneys collected from the operations of the Property. The management fee shall be due and payable on the last business day of each month from the Management Account and Agent can pay itself on Owner's behalf. In addition, Agent shall also be reimbursed from the Management Account for forms, employee training related expenses, materials, supplies, payroll processing fees, postage, and any other out of pocket expenses devoted or attributed to the direct day-to-day management of the Property.

B. CONSTRUCTION/RENOVATION SUPERVISION FEE. Owner shall pay Agent a construction/renovation fee in connection with any construction, extraordinary renovation, repair and/or improvement in, on, or about the Property that Agent manages. Said fee shall be ten percent (10.0%) of the total actual cost of any and all construction and/or repair contracts (including insurance losses) exceeding five thousand dollars (\$5,000.00). The fee shall be due and payable upon completion of such activities from the Management Account, for which Agent can pay itself on Owner's behalf.

C. PAYROLL AND PAYROLL PROCESSING FEE. Owner shall reimburse Agent from Management Account for Property payroll and payroll-related expenses including, but not limited to, employer taxes, insurance, employee benefits, if any, payroll processing fees, etc. Said payroll and related expenses shall be paid to Agent semi-monthly in the arrears, for which Agent can pay itself on Owner's behalf.

D. LEASING FEE SCHEDULE.

GROSS LEASE

Six percent (6%) of the rent for the first year, plus;
Six percent (6%) of the rent for the second year, plus;
Five percent (5%) of the rent for the third year, plus;
Five percent (5%) of the rent for the fourth year, plus;
Four percent (4%) of the rent for the fifth year, plus;
Three percent (3%) of the rent for the sixth year, plus;
Two percent (2%) of the rent for the seventh year through the end of the lease.

NET LEASE

Seven percent (7%) of the rent for the first year, plus;
Seven percent (7%) of the rent for the second year, plus;
Six percent (6%) of the rent for the third year, plus;
Five percent (5%) of the rent for the fourth year, plus;
Five percent (5%) of the rent for the fifth year, plus;
Two and one-half percent (2 ½%) of the rent for the sixth year through the end of the lease.

COMMENCEMENT OF RENT: For the purpose of computing the amount of the fee due on a leasing transaction, the first month shall be deemed to the first month of the lease.

SUB-LEASE OR ASSIGNMENT: Six percent (6%) of the amounts payable with respect to the assignment of sub-leasing of a gross lease and seven percent (7%) in the case of a net lease. If the master lease is terminated during the term of the attached agreement or any extension thereof with the consent of, or because of a default by sub-lessor, such fee shall be computed on the basis of the rental, which would have been payable pursuant to the master lease for the unexpired term.

MONTH-TO-MONTH TENANCY: The fee shall be the greater of one hundred percent (100%) of the first month's rent or \$350. In the event a month-to-month tenant subsequently executes a lease, either direct with Owner or through Agent or any other broker, within twenty-four (24) months from the date of first occupancy of the month-to-month tenant, then Agent shall receive a leasing fee with respect to such lease in accordance with the provisions of this schedule.

EXTENSION OF TERM OR ADDITIONAL SPACE TAKEN: If the term of the lease is extended or the area of the leased premises is expanded prior to the expiration of the lease, whether pursuant to an option in or an amendment of the lease or any other agreement, then a leasing fee, computed in accordance with this Schedule, shall be paid upon the exercise of any such option or the making of any amendment or agreement. If the term of the lease is extended, such additional period shall be added to the end of the initial lease term for the purpose of computing the amount of the fee. If the area of the leased premises is expanded, a full leasing fee shall be due for the entire term of such additional space.

PAYMENT OF EARNED FEES: Agent is hereby authorized to deduct its fee from any deposits, payments or other funds paid by tenant or sub-tenant in connection with such transaction.

MISCELLANEOUS: In the event an escrow is opened during the term of this agreement or any extension thereof with respect to the sale, transfer or conveyance of the real property described in this agreement, Owner hereby assigns to Agent and authorizes and instructs the escrow agent to disburse to Agent the amount of the compensation provided for in this agreement and/or, Exhibit "B" from the funds payable to Owner.