

THIS MANAGEMENT SERVICES AGREEMENT (“Agreement”) is made as of _____
(the “Commencement Date”).

BETWEEN:

Martello Property Services Inc.
a corporation duly existing under
the laws of the Province of British Columbia
(the “**Manager**”)

-and-

(the “**Owner**”)

WHEREAS:

- A. The Owner is the legal, beneficial, and registered owner of the Property;
- B. The Manager is engaged in, among other things, the business of managing and operating income producing real property; and
- C. The Owner wishes to retain the Manager to provide the Services in respect of the Property, and the Manager wishes to provide such Services to the Owner in respect of the Property.

NOW THEREFORE in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions

- 1.1 The capitalized words and phrases used herein shall have the meaning ascribed to such words and phrases as set out in Schedule A hereto unless otherwise defined herein or the context otherwise requires.

2. Appointment of Manager

- 2.1 The Owner hereby appoints the Manager as the sole and exclusive manager and superintendent of the Property and the Manager accepts such appointment and covenants and agrees with the Owner to operate, superintend, inspect, manage and maintain the Property and do all acts and things with respect thereto in a businesslike and efficient manner to the standard of property managers in the Greater Vancouver area of property comparable in type, age, class and location to the Property.
- 2.2 The Owner does hereby authorize the Manager to undertake and use all reasonable efforts on behalf of the Owner to obtain the highest possible net operating income from the Property, having regard to the leasing, operating and rental policies of the Owner.
- 2.3 Within a reasonable period following Commencement Date, the Manager will designate and advise the Owner of the Property Officer, and thereafter will notify the Owner of any change in the Property Officer.
- 2.4 The Property Officer shall be the Owner's primary contact with the Manager.

3. Term of Appointment

- 3.1 Subject to the provisions of section 6 herein, the appointment of the Manager shall commence on the Commencement Date and shall terminate on the Expiry Date outlined in Schedule A provided that upon the expiry of the initial term hereof, the Agreement will be automatically renewed for further one (1) year terms upon expiry. Either party may give to the other notice in writing that it is not renewing this Agreement.
- 3.2 The Monthly Management fee accrues from month to month in advance and notwithstanding the effective date of termination of this Agreement pursuant to the provisions hereof, the Manager shall be entitled to the whole of the Monthly Management Fee to the end of the month next following the effective date of termination of this Agreement together with all Reimbursable Expenses incurred to the end of such month.

4. Manager's Duties

- 4.1 Without limiting the generality of Paragraph 2.1 hereof, the Manager covenants and agrees with the Owner and is hereby empowered by the Owner:
- (a) to hire and employ in its own name, or in the name of an Affiliated Company, and at its own expense, such expense to be properly chargeable to the Property, such persons as may be necessary for the proper maintenance and operation of the Property;
 - (b) to collect all rents and other income from the Property and promptly and directly deposit such rents in a separate Manager's interest bearing trust account on behalf of the Owner;
 - (c) to purchase at competitive rates, on behalf of the Owner, all supplies, utilities, services and other materials necessary for the proper maintenance and operation of the Property;
 - (d) to do or contract for all such incidental repairs and alterations to the Property as are necessary and expedient; PROVIDED, however that the Manager covenants and agrees that it will not make or incur any expenditure for repairs and/or alterations in excess of \$2,500.00 per occurrence which are not included in the budgets for the Property without the prior consent of the Owner, unless the same is urgently required, in the reasonable opinion of the Manager, due to an emergency situation (in which case the Manager shall advise the Owner by telephone as soon as possible as to the details of the emergency situation);
 - (e) subject to Subparagraph 4.1(d) above, upon the approval of the Owner, to prepare, contract, receive, evaluate and report upon proposals for the installation or change or repair of electrical, mechanical, structural and other Building systems including the roof;
 - (f) to examine and provide advice from time to time to the Owner upon all general matters connected with the economic operation of the Property.
 - (g) without limiting the foregoing, to generally superintend, inspect, manage and maintain the Property, and subject to and in accordance with the provisions of this Agreement:
 - (h) to deal promptly and courteously with all reasonable tenant requests.
- 4.2 The Manager agrees to pay all accounts on behalf of the Owner with respect to the Building, including taxes, utilities, insurance and all other accounts of a general nature relating to the management of the Building out of and to the extent of funds collected by the Manager from the Property.

- 4.3 The Manager shall collect all deposits (security, pet or otherwise), rents and other income from the Property and promptly and directly deposit such rents in an interest-bearing trust account
- 4.4 The Manager also agrees that it will, during the currency of its appointment as Manager hereunder:
- (a) deliver to the Owner in a form acceptable to the Owner, acting reasonably:
 - (i) an accounts payable listing monthly not later than 15 days following the end of each month of the term of this Agreement;
 - (ii) an analysis of expense items; and
 - (iii) a monthly property management report,
 - (b) deliver to the Owner, along with each statement, a cheque for the net income received by the Manager during the preceding calendar month after payment of all expenses including but not limited to the Manager's Fees, operating expenses, other Reimbursable Expenses, mortgage payments and taxes;
 - (c) deliver to the Owner annually, at least thirty (30) days prior to commencement of each calendar year and should the Owner request, at least 30 days prior to the commencement of the Owner's fiscal year, a budget of anticipated revenue and expenditure for the coming calendar year and fiscal year respectively, provided that in the event the Owner requests both anticipated budgets, the cost of preparing such additional budget shall be agreed upon between the parties acting reasonably, prior to the Manager preparing the additional budget;
 - (d) deliver to the Owner annually, within one hundred twenty (120) days after the expiry of each calendar year and each of the Owner's fiscal years, a year-end report comparing the budget to actual expenditures for such calendar year or fiscal year, as the case may be;
 - (e) honestly and diligently carry out and perform all its duties and obligations under this Agreement; and
 - (f) in consideration of the Lease Renewal Fee set out in subparagraph 5.1(f), negotiate on behalf of the Owner all lease renewals or extensions for premises within the Building.
 - (g) The Manager shall take such steps as are reasonable and proper in the circumstances to collect all rent, additional rent, occupancy charges, taxes and other sums payable by tenants of the Property, provided that the Manager shall not be liable to the Owner for any arrears of rentals or other payments due from tenants or any other person with respect to the operation of the Building. Upon receipt of instructions from the Owner, the Manager shall take any legal proceedings available to the Owner for the recovery of any rent due and unpaid, settle, comprise or discontinue any such proceedings and enter and to recover by distress all sums of money due and owing for the rent or other indebtedness.
- 4.5 The Manager shall prepare, keep, and maintain, in a professional manner all records required and related to the management of the property and or facilities, including but not limited to financial, tenancy, building maintenance, and or any other records as may be obtained during the course of management. Such records to be provided to the Owner, or other such persons as the Owner may direct upon cancellation or termination of this Agreement. The Agent may store certain records for compliance with BC Financial Services Authority for up to seven (7) years after cancellation or termination of this Agreement as may be required

- 4.6 The Manager shall, as a Reimbursable Expense place and maintain adequate fire, liability, boiler, pressure vessel, and other insurance required from time to time in respect of the Property. Such insurance coverage shall include public liability insurance respecting the Property which names the Manager as an additional or co-insured. The Manager shall, from time to time at the request of the Owner, provide the Owner with an insurance cover note confirming such insurance coverage.

5. Manager's Fees

- 5.1 In consideration of the services to be performed by the Manager hereunder, the Owner covenants and agrees as follows:

Monthly Management Fee

- (a) The Owner will pay to the Manager a fee equal to 10% of the Gross Annual Rental or a minimum of \$100 + GST per unit per month, whichever is greater, and the Manager may, on the first day of each month, deduct the Monthly Management Fee from the Gross Monthly Rental paid by the tenants and/or occupants of the Building during the current month. For greater certainty, any free rent to which a tenant or occupant is entitled during any month of the term of this Agreement shall not be deducted from Gross Monthly Rental which shall be deemed to include the free rent as if such rent had not been paid by the tenant or occupant;

Lease Negotiation Fees

- (a) For advertising vacancies, showing units, screening tenants and coordinating move-ins the fee shall be half a month's Rent.

Lease Renewal Fees

- (b) There is no fee for the renewal of tenants on month to month leases.

Fee for Supervision of Construction

- (b) if the Manager acts as a project manager in respect to the completion of any construction work, the Owner agrees to pay the Manager a fee equal to ten (10%) percent of the value of the contracts entered upon completion of the improvements that are over \$10,000.00.

Reimbursable Expenses

- (c) to pay to the Manager the Reimbursable Expenses and the Manager may, on the first day of each month, deduct from the Gross Monthly Rental paid by the Tenants and/or occupants of the Building, the Reimbursable Expenses incurred from the date of the last payment by the Owner to the Manager of such expenses.

Arbitration Fees

- (d) Submissions to the Residential Tenancy Branch and subsequent arbitrations on the Owner's behalf shall be billed at \$1100 + GST (this includes the filing fee).

Martello Building Operations Inc.

- (e) The Agent declares that Martello Building Operations Inc. is a wholly owned subsidiary of the Agent and supplies labour to Clients from time to time. Martello Building Operations Inc. supplies services at market rates which has potential to create a conflict of interest

Taxes

- (g) All applicable taxes shall be payable by the Owner, in addition to the Manager's Fees.

6. Termination

By the Owner

- 6.1 Notwithstanding anything else contained in this Agreement, this Agreement shall terminate upon any of the following events:
- (a) if the Manager fails to perform its duties and obligations hereunder and the Owner delivers to the Manager written notice setting out the particulars of such failure to perform and the Manager fails to correct the default within forty-five (45) days after receipt of such notice, the Owner, at its option, may then terminate this upon not less than thirty (30) days written notice, which notice may not be delivered until the expiration of the curative period;
 - (b) in the event of bankruptcy, insolvency, winding-up or liquidation of the Manager or if a receiver is appointed to manage the affairs of the Manager, the Owner, at its option, may terminate this Agreement upon thirty (30) days written notice thereof to the Manager.

By the Manager

- 6.2 Notwithstanding anything else contained in this Agreement, this Agreement shall terminate upon any of the following events:
- (a) if the Owner fails to make any payment required to be made by the Owner on its due date and such default continues for 5 days following written demand;
 - (b) if the Owner fails to perform its duties and obligations hereunder and the Manager delivers to the Owner written notice setting out the particulars of such failure to perform and the Owner fails to correct the default within forty-five (45) days after receipt of such notice, the Manager, at its option, may then terminate this upon not less than thirty (30) days written notice, which notice may not be delivered until the expiration of the curative period;
 - (c) in the event of bankruptcy, insolvency, winding-up or liquidation of the Manager or if a receiver is appointed to manage the affairs of the Owner, the Manager, at its option, may terminate this Agreement upon thirty (30) days written notice thereof to the Manager.

Election Not to Renew

- 6.3 Notwithstanding any other provision hereof, either party may elect not to renew this Agreement for a further term, provided that the party electing not to renew gives written notice of such election to the other party not less than sixty (60) days prior to the Expiry Date of the initial term, or the anniversary of the Expiry Date in relation to subsequent terms. For further clarity, this contract shall not automatically renew unless the Owner consents 2 months prior to the expiry date.

Effect of Termination

- 6.4 Upon termination of this Agreement:
- (a) if the notice period relating to such termination does not expire on the last day of a calendar month, the effective date of the termination will be deemed to be extended to the last day of that calendar month;
 - (b) the Manager shall within twenty-one (21) business days thereafter render to the Owner a final statement of income received by the Manager for the account of the Owner and relating to Property and pay over any balance in the Manager's trust account remaining to the credit of the Owner after deduction by the Manager of all fees, monies and Reimbursable Expenses then outstanding;

- (c) the Manager shall surrender to the Owner all lease agreements, contracts and other documents relating to the subject Building within fourteen (14) business days of termination of this Agreement;
- (d) the Owner shall pay within fourteen (14) days of receipt of invoice therefor any balance owing to the Manager for services rendered pursuant to this Agreement up to the effective date of termination for the subject Building, and
- (e) rights which have accrued to either party hereto prior to the date when such termination shall become effective shall in no way be affected or impaired.

7. Owner's Covenants and Representations

7.1 The Owner covenants and agrees:

- (a) that during the currency of this agreement the Owner will not without the prior written consent of the Manager, amend or modify the terms of any Lease so as to decrease the management and administration fees payable by the tenant thereunder;
- (b) to furnish to the Manager all documents and records which may be required by the Manager to properly manage the Property; and
- (c) to grant to the Manager the exclusive right during the currency of its appointment under this Agreement to place management signs on or about the Property; provided however that the Manager shall submit plans or drawings respecting such signs and receive the prior written approval of the Owner for same, such approval not to be unreasonably withheld, before placing signs on the Property.
- (d) The Owner warrants and represents to the Manager that it is the Owner of the Building and the Lands and the Owner has the power and the authority to enter into and perform the terms and conditions of this Agreement.

7.2 If the revenues from the Property are insufficient at any time to defray the expenditures necessary for the proper operation, maintenance, repair and management of the Property or to pay any of the Management Fees or to pay the cost of any authorized improvements, renovations, replacement or alterations, the Manager shall notify the Owner in writing specifying the details of such deficiency and the Owner shall forthwith remit to the Manager an amount sufficient to remedy such deficit. The Manager shall not be in default of its obligations hereunder if the failure to observe or perform such obligations is due to the existence of such deficit.

7.3 The Owner shall promptly respond to all notices and other communications from the Manager and shall at all times keep the Manager informed as to the whereabouts of the responsible officers or employees of the Owner to be consulted in the event of an emergency or in the event that some major decision with respect to the Property must be made immediately.

8. Indemnity

8.1 Provided that the Manager shall not be in default hereunder and shall have acted in good faith and within the scope of its authority hereunder, the Owner hereby agrees to indemnify and save harmless the Manager from all costs, claims and damages which arise from its management of the Property; save and except that the Owner's agreement to indemnify the Manager shall not extend to negligent acts or negligent omissions of the Manager. The Manager hereby agrees to indemnify and save harmless the Owner from all costs, claims and damages which may arise resulting from negligent acts or negligent omissions of the Manager respecting the Property.

9. Assignment

9.1 This Agreement may not be assigned by the Manager or the Owner except by a subsequent agreement in writing, duly signed by the Owner and the Manager.

10. General

- 10.1 Time shall be of the essence of this Agreement and of every part hereof.
- 10.2 The parties hereto and each of them hereby covenant and agree to do such things, to attend such meetings and to execute such further documents, agreements and assurances as may be deemed necessary or advisable from time to time in order to carry out the terms and conditions of this Agreement in accordance with their true intent.
- 10.3 If any covenant, obligation or provision contained in this Agreement, or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such covenant, obligation or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and each covenant, obligation or provision of this Agreement shall be separately valid and enforceable to the fullest extent permitted by law.
- 10.4 This Agreement shall be construed in accordance with the laws of the Province of British Columbia.
- 10.5 In the event of any dispute regarding the provisions hereof or the performance of the parties hereunder shall be subject to arbitration in accordance with the provisions of the *Arbitration Act* (British Columbia) as amended.
- 10.6 All notices, requests, demands or other communications by the terms hereof required or permitted to be given by one party to another shall, unless otherwise specifically provided for herein, be given in writing and be personally served or posted by registered mail, postage prepaid, addressed to such other party or delivered to such other party as follows:

(a) to the Owner:

(b) to the Manager:

Martello Property Services Inc.
200 – 808 West Hastings Street
Vancouver, B.C.
V6C 2X4

Attention: Warren Smithies, CEO

Email: warren.smithies@martello.group

or at such other address as the other parties hereto may have been duly notified. Any notice, request, demand or other communication given by mail as aforesaid and posted anywhere in Canada, far northern points excepted, shall be deemed to have been received at 12:00 o'clock noon on the third business day following the posting thereof, except during times of disruption in normal postal service in which case any such notice, request, demand or other communication shall be deemed to have been received upon actual receipt thereof.

- 10.7 The Manager shall be an independent contractor for all purposes and shall not be an employee, partner or guarantor of the Owner.

10.8 All rights and obligations under the terms of this Agreement shall inure to the benefit of and be binding upon the parties hereto, their respective heirs, executors, administrators, successors and assigns, and further that the words in all covenants, provisos, conditions and agreements herein contained which impart the singular number and the masculine gender shall be read and construed as applied to each and every party hereto male and female, and to his or their heirs, executors, administrators, successors and assigns, and the provisions hereto shall be construed and held to be several as well as joint and plural as well as singular wherever required in accordance with the context of this Agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the date first above written.

Per: _____

Authorized Signatory

MARTELLO PROPERTY SERVICES INC.

Per: _____

Managing Broker

SCHEDULE A

DEFINITIONS

- (a) "Administrative Personnel" means such head office personnel employed or engaged by the Manager for the purpose of management, administration, accounting and supervision of property including the Property and such Administrative Personnel includes the Property Officer;
- (b) "Administrative Personnel Expenses" means the aggregate of the salary, wages and benefits paid to the Property Officer and all other Administrative Personnel, in respect of work done on or in respect of the Property;
- (c) "Affiliated Company" means those companies which have a direct relationship with the Manager.
- (d) "Building" means, the building, structures and improvements.
- (e) "Commencement Date" means such day mutually agreed upon between the Owner and the Manager to start management of property;
- (f) "Expiry Date" means one (1) year after the Commencement Date.
- (g) "Gross Annual Rental" means the aggregate of the Gross Monthly Rental for a calendar year of the term of this Agreement;
- (h) "Gross Monthly Rental" means, without duplication, the aggregate of all rent, additional rental, tenant contributions and other recoveries, maintenance costs, common area expenses, taxes, insurance and similar costs, charges and expenses required to be paid by the tenants and/or occupants of the Building pursuant to the Leases;
- (i) "Leases" means all of the leases, licenses or occupancy agreements entered into between the Owner and tenants and/or occupants of the Building during the currency of this Agreement or thereafter provided that the such tenant or occupant was introduced to the Property during the currency of this Agreement;
- (j) "Manager's Fees" means the aggregate of: the Monthly Management Fee set out in Subparagraph 5.1(a), the Arrears Fee set out in Subparagraph 5.1(b), the Construction Supervision Fee set out in Subparagraph 5.1(c), the Lease Negotiation Fee set out in Subparagraph 5.1(d) and 5.1 (f), the Lease Renewal Fee set out in Subparagraph 5.1(f) and 5.1 (h) and the Reimbursable Expenses set out in Subparagraph 5.1(h);
- (k) "Property" means the Building or Buildings and the lands upon which such Building or Buildings is or are situate;
- (l) "Property Officer" means such person in the employ of the Manager who is designated from time to time by the Manager to have primary responsibility for the management, administration and supervision of the Property;
- (m) "Reimbursable Expenses" means those expenses itemized in Schedule B and billable to the tenants as triple net expenses.

SCHEDULE B
REIMBURSABLE EXPENSES

Reimbursable Expenses includes:

- (a) On-Site Personnel Expenses;
- (b) Administrative Expenses, apportioned to the Owner by the Manager acting reasonably if the Administrative Personnel provide services to more than the Property;
- (c) the out-of-pocket expenses reasonably incurred by Manager in connection with the performance of its duties hereunder, including, but not limited to: courier and delivery services; photocopying and reproduction by other means of reports, drawings, specifications and similar Property-related documents; payments to third parties for computer time and the use of specialized equipment; reasonable travel and subsistence expenses of Manager's employees incurred while travelling in discharge of duties under this Agreement; amounts paid under any contract made in accordance with this Agreement; and
- (d) the cost at prevailing market rates of photocopying and reproduction by other means of reports, drawings, specifications and similar Property-related documents performed by the Manager "in house" or by any party not at arm's length to the Development Manager;
- (e) office supplies, postage, copier, and software expenses attributable to the management of the Property; and
- (f) audit costs