

PROPERTY MANAGEMENT AGREEMENT

This Property Management Agreement (the "Agreement") dated as of the 26th day of January, 2021 ("Effective Date"), between **County of San Bernardino**, a political subdivision of the State of California, hereafter referred to as "Owner", and **Quality Management Group, Inc.**, a California corporation, hereafter referred to as "Agent", with respect to the following facts:

RECITALS

Whereas, Agent is engaged in the business of servicing, managing, renting and maintaining rental properties for the owners thereof.

Whereas, Owner desires to avail itself of the services of Agent, and Agent accepts the appointment and agrees to furnish the services of its organization for the operation and management of the Property (defined in Section 1.1 below), and Owner agrees to pay a fee for providing such services as further detailed in this Agreement.

ARTICLE 1.

Section 1.1 Description of Property.

The property to be managed by Agent under this Agreement is located at 2626 Pacific Street, Highland, CA, as more particularly described in Exhibit A (the "Property"). The portion of the Property that contains the twenty-eight (28) units ("Units") and the common areas associated with the Units, herein after referred as the "Residential Site", is depicted in the Site Map attached as Exhibit B. In addition, the Agent has agreed to provide property management services for the portion of the property that is currently vacant, herein after referred to as the "Vacant Site", is depicted on the Site Map attached as Exhibit B.

ARTICLE 2.

EMPLOYMENT OF AGENT; TERM

Section 2.1 Employment of Agent. Owner hereby employs Agent and Agent hereby accepts such employment to operate and manage the Property according to the terms and conditions of this Agreement.

Section 2.2 Term.

(a) Term. Except as may be otherwise provided in this Section, the initial term of this Agreement shall commence on the Effective Date and shall continue for a term of twenty-four (24) months (the "Term").

(b) Extension of Term. Unless earlier terminated by either Owner or Agent by delivery of written notice of termination at least sixty (60) days prior to the termination of the previous term, or by mutual written agreement, the Term of this Agreement may be extended for up to three (3) additional successive one (1) year extensions, subject to approval by the Board of Supervisors.

Section 2.3 Termination by Owner For Cause. Owner may terminate this Agreement effective immediately upon delivery of written notice to Agent: (a) in the event of an uncured Default (as defined in Section 8.1 below) by Agent; or (b) if Agent files proceedings in bankruptcy or an involuntary proceeding in bankruptcy is filed against Agent.

Section 2.4 Termination by Owner Without Cause. Owner may terminate this Agreement in its sole and absolute discretion and without cause upon sixty (60) days' prior written notice to Agent.

Section 2.5 Termination by Agent For Cause. Agent may terminate this Agreement effective immediately upon delivery of notice to Owner: (a) in the event of an uncured Default by Owner (as defined in Section 8.1 below).

Section 2.6 Obligations of Owner and Agent. The obligations of the Owner are described in **Exhibit C-1** and incorporated into the Agreement by this reference. The obligations of the Agent with respect to the Residential Site are described in **Exhibit C-2** and incorporated into the Agreement by this reference. The obligations of the Agent with regard to the Vacant Site are described in **Exhibit C-3** and incorporated into the Agreement by this reference. Notwithstanding anything to the contrary in this Agreement or any of the exhibits attached hereto, any actions or activities not expressly included in the attached Exhibits shall be deemed to be outside of the scope of this Agreement.

Section 2.7 Continuing Obligations Upon Termination. Upon the termination of this Agreement by any means, the following obligations shall continue:

(a) Continuation of Contracts and Fees. Owner shall remain obligated to Agent for all management fees earned by Agent through the date of termination and for all reimbursements due to Agent through the date of termination pursuant to this Agreement. Prior to terminating this Agreement as a result of the misappropriation of funds of Owner by Agent or the negligence of Agent, Owner and Agent will confer in good faith for a period not to exceed thirty (30) days to determine if the Agent is able to remedy the issue or if a feasible and mutually acceptable arrangement can be made to correct the misappropriation of funds of Owner by Agent or the negligence of Agent. If no agreement is reached between the Owner and the Agent within such thirty (30) day period, this Agreement may be terminated by written notice from the County to the Agent. Notwithstanding other language in this Agreement, if the termination is a result of the misappropriation of funds of Owner by Agent or the negligence of Agent, the remaining fee obligations of Owner to Agent shall be cancelled.

(b) Upon termination of this Agreement, the Owner will assume the obligation for all contracts entered into by the Agent on behalf of the Owner. At that time, Owner shall determine if contracted services will continue, be modified, and/or canceled.

(c) Responsibilities of Agent. Upon properly noticed termination, the Agent shall remain obligated to, as soon as practicable:

(1) Render to Owner a final accounting of income and expenses of the Property as provided in this Agreement.

(2) Deliver to Owner all funds from the Property in Agent's possession after allowable reimbursement of all expenses, deduction of check which have not yet been paid and payment of

all management fees which Agent is entitled to receive through the date of termination. Owner shall be responsible to pay bills previously incurred but not invoiced prior to termination of the Agreement.

(3) Deliver to Owner all keys, records, contracts, Program Participant Agreements (as defined in Section 4.1, below), receipts, unpaid bills and other documents relative to the Property and in Agent's possession at date of termination.

(4) Vacate the office/unit occupied by Agent on the Property within sixty (60) days of termination, remove all personal property owned by Agent, and leave the office/unit in good condition and repair.

(d) Execution of Documents. Agent and Owner will execute any other documents as may be reasonably necessary or required to effectuate the termination of this Agreement and transfer of management to Owner or to any other agent selected by Owner.

Section 2.8 Representations and Warranties. The parties' representations and warranties, and all Agreement provisions requiring payment of attorney's fees, indemnification, defense, reimbursement or pre-termination insurance, will survive termination of this Agreement.

ARTICLE 3. ACCOUNTS AND OPERATIONS

Section 3.1 Operating and Reserve Account. Agent shall establish a separate general operating account ("General Operating Account") and a separate replacement reserve account ("Replacement Reserve Account") for the Property. Any and all bank accounts, including the General Operating Account and Replacement Reserve Account, established under this Agreement shall be trust accounts in Owner's name but under Agent's management. Each account shall be created and maintained as a segregated interest-bearing account held by the Agent. During the Term, the Agent's designees shall be the only parties authorized to draw upon such accounts. No amounts deposited in any accounts established under this Agreement shall in any event be commingled with any other funds of Agent or any other party. All such accounts shall be opened at such bank(s), under such designation(s) and with such authorized signatures as Agent shall direct from time to time. All such accounts shall be insured by the Federal Deposit Insurance Corporation ("FDIC"). All interest earned on funds in the General Operating Account and Replacement Reserve Account shall be added to and become part of the General Operating Account and Replacement Reserve Account, respectively.

Section 3.2 Capitalization of General Operating Account.

(a) Owner will make an initial capital contribution to Agent of capitalized operating subsidy reserve funds to fund the General Operating Account in the approximate amount of Three Hundred Thousand Dollars (\$300,000). Agent shall deposit into the General Operating Account all future annually allocated funds provided by the County associated with extensions of the Term pursuant to Section 1.3.2. In addition, Agent shall deposit any and all income generated from program income, including but not limited to program participant contributions, into the General Operating Account.

(b) Owner will make an initial capital contribution to Agent of to fund the Replacement Reserve Account in the approximate amount of One Hundred Thousand Dollars (\$100,000). Agent shall

notify the Owner if the balance of the Replacement Reserve Account, Owner agrees to replenish the Replacement Reserve Account as soon as reasonably practicable.

(c) Owner will make an initial capital contribution to Agent of capitalized operating subsidy reserve funds to fund the Vacant Site General Operating Account in the approximate amount of Forty-Three Thousand Dollars (\$43,000). Agent shall deposit into the Vacant Site General Operating Account all future annually allocated funds provided by the County.

(d) The Agent's duties to perform the obligations set forth in Exhibit C-2 with regard to the Residential Site and Exhibit C-3 with regard to the Vacant Site, shall be limited to the extent that the County provides sufficient funds to conduct such activities on an annual basis.

Section 3.3 Use of Funds.

(a) Agent is hereby authorized to pay from the General Operating Account all operating expenses of the Property to the extent accounted for through the Annual Operating Budget ("Approved Operating Expense"). Agent shall obtain prior written approval of Owner for any expenditure exceeding \$5,000.00 in any one instance for labor, materials, or otherwise in connection with the maintenance and repair in excess of Approved Operating Expenses except for emergency repairs involving danger to persons or property unless item(s) or repair was included in the approved budget for capital improvement projects. In the event of emergency repairs, Agent will notify Owner within forty-eight (48) hours of doing so.

(b) Agent's compensation and all bills and payments related to the operation and management of the Property within the parameters of the Annual Operating Budget, defined below, will be disbursed from this General Operating Account pursuant to Section 4.2 below. If the balance in the General Operating Account is insufficient to pay an Approved Operating Expenses or an emergency expense due and payable, Agent will promptly inform Owner of that fact and Owner will then remit to Agent sufficient funds to cover the deficiency within forty-five (45) days or sooner if possible. Agent will not be required to use its own funds to pay these disbursements.

(c) All withdrawals from the Replacement Reserve Account shall be subject to prior written approval by the Owner. Agent shall prepare check requests and draw requests for authorization by the Owner not more frequently than one time each calendar month, on a date to be agreed to by both parties. The draw requests shall be in a form containing sufficient detail and with sufficient supporting documentation to permit the Owner to confirm that the work to be funded by the draw request is necessary.

Section 3.4 Contributions and Program Income.

To the extent permitted by law, the Agent shall use reasonable efforts to collect Program Participation Contributions, deposits, charges and other amounts receivable on Owner's account in connection with the management and operation of the Property. Such receipts shall be deposited in the General Operating Account. Manager shall act as a fiduciary of Owner as relates to such funds collected by Manager.

Section 3.5 Special Charges.

If permitted by applicable law, Agent will collect from each program participant any, or all, of the following if stipulated in each Program Participant Agreement: (a) an administrative charge for late

payment of Program Participation Contributions, as well as returned (NSF) checks; (b) monetary damages; (c) other fees (as appropriate).

Section 3.6 Security Deposits.

If permitted by applicable law, Agent shall collect, deposit, and disburse program participants' security deposits in accordance with the terms of each Program Participant Agreement. Agent shall hold security deposit liability in reserve to expedite disposition of program participant asset and to cover unit turnover expenses upon program participant move-out. Agent shall comply with all laws concerning security deposits. Agent hereby agrees to indemnify, defend and hold harmless Owner and their respective agents, successors and assigns from all claims, losses, damages, costs, expenses, demands, liabilities, obligations, liens, encumbrances and attorneys' fees and costs arising directly or indirectly out of Agent's failure to handle all tenant security deposits as required by all applicable laws, ordinances and regulations, including, without limitation, California Civil Code Section 1950.5. Agent shall maintain detailed records of all security deposits.

ARTICLE 4. OPERATIONS AND EXPENSES

Section 4.1 Program Administration.

(a) Throughout the Term of this Agreement, Owner shall ensure the Residential Site is being used in a manner consistent with the Regulatory Agreement and Declaration of Restrictive Covenants recorded against the Property. The terms of the Regulatory Agreement and Declaration of Restrictive Covenants, as such may be amended from time to time, shall be incorporated herein as of the date the agreement is recorded and as of the date of any amendment thereto is recorded, as applicable. Owner shall be responsible to provide to Agent any amendments to the Regulatory Agreement and Declaration of Restrictive Covenants prior to such taking effect.

(b) Owner, through Coordinated Entry Service ("CES") the COVID Taskforce, or an alternative County referral process, will have the sole responsibility to identify eligible prospective program participants and the responsibility of implementing the initial program participant eligibility screening and shall refer such persons or households to Agent. Agent shall then: (1) coordinate with the case manager to process the prospective program participants documentation; (2) conduct a criminal background check and income verification; (3) consult and collaborate with the prospective program participants case manager to select a unit; (4) provide program participation orientation; (5) process and collect "Program Participant Agreement" from each approved program participant as a condition to reside in one of the Units (which shall be in a form agreed to by the Owner and Agent); and (6) provide ongoing site and property management services to program participants.

(c) Agent shall use reasonable and diligent efforts to keep the Property occupied by notifying Owner of potential vacancy by program participants. Agent is authorized to negotiate, prepare, and execute all Program Participant Agreements, including all renewals and extensions of Program Participant Agreements, and to cancel and modify existing Program Participant Agreements. Agent shall execute all Program Participant Agreements on behalf of Owner. All Program Participant Agreements shall be on a standard form Program Participant Agreement provided by Owner and agreed to by the Owner and the

Agent. Neither Party shall materially modify the approved form Program Participant Agreement without the prior written approval of the Other Party.

(d) If and to the extent there are units available and there are insufficient CES referrals to occupy all of the units, the Agent can advertise the Property if authorized by the Owner.

Section 4.2 Compliance with CES Program Requirements.

(a) Agent agrees to comply with the CES program requirements in processing applications and notifying applicants referred to Agent pursuant to Section 4.1 (where applicable). As of the Effective Date, the Owner has provided Agent all applicable CES Program Requirements and shall provide any updates thereto prior to occupancy of the first Unit and shall be responsible to periodically provide updates as necessary. If an application is rejected, the Agent will inform the applicant the reason for rejection and advise rejected applicants of their right to appeal. Rejected applications, with reasons for rejection noted thereon, will be kept on file for five (5) years. A current list of prospective program participants will be maintained by the County and provided to the Agent.

(b) Agent will encourage voluntary compliance with the terms including offering the services of local social service agencies and community organizations in cases of financial hardship to avoid involuntary termination of the Program Participant Agreement. However, Agent may terminate the Program Participant Agreement when Agent determines sufficient cause exists to terminate the Program Participant Agreement.

(c) If required under any program requirement, Agent will annually re-certify program participant's income pursuant to the applicable requirements and will maintain an annual report of compliance to be provided to Owner upon reasonable request and annually.

Section 4.3 Nondiscrimination and Accessibility.

(a) Agent agrees not to discriminate on the basis of any Federal protected class including race, color, religion, sex, national origin, familial status and handicap, nor on the basis of any class protected by California law such as disability, marital status, gender, gender identity, gender expression, genetic information, sexual orientation, age, ancestry, source of income, medical condition, citizenship, primary language, immigration status, or any other arbitrary basis.

(b) Accessibility Requirements. The Property will be operated at all times in compliance with all applicable federal, state, and local disabled persons accessibility requirements.

Section 4.4 Maintenance and Upkeep.

(a) At all times during the term of this Agreement, Agent shall take all such steps as are necessary to ensure that the Property is maintained in an attractive condition and good state of repair. The obligations of the Agent with regard to the Residential Site are described in **Exhibit C-2** and incorporated into the Agreement by this reference. The obligations of the Agent with regard to the Vacant Site are described in **Exhibit C-3** and incorporated into the Agreement by this reference.

(b) Agent is authorized to cause all of Property to be maintained on behalf of Owner in a decent and sanitary condition and in rentable and habitable state of repair, all in accordance with local

codes and in accordance with the terms and conditions set forth in the Agent and Owner Responsibilities in the attached **Exhibit C-1, C-2 and C-3**. Routine maintenance will be the responsibility and at the sole cost of Owner. Repairs and maintenance activities will include but not be limited to the performance of cleaning, painting, plastering, decorating, plumbing, carpentry, replacing broken glass, removing graffiti and rubbish, maintaining landscaping in healthy condition and other maintenance and repair work as may be necessary. At least once each six months during the term of this Agreement, Agent and Owner's Representative shall make a complete and thorough inspection of the Property at a time mutually agreed upon. Manager shall promptly call to the attention of Owner any condition of the Property which, in order to be rectified properly, would require some form of work of improvement, repair or restoration in or to the Property. Incident thereto, the following provisions apply:

(c) The obligations of the Owner are described in **Exhibit C-1** and incorporated into the Agreement by this reference. The obligations of the Agent with regard to the Residential Site are described in **Exhibit C-2** and incorporated into the Agreement by this reference. The obligations of the Agent with regard to the Vacant Site are described in **Exhibit C-3** and incorporated into the Agreement by this reference.

(d) Agent will, where possible, utilize regular maintenance personnel and/or contractors to establish a preventative maintenance schedule at the property which shall be updated annually.

(e) Agent will establish and enforce a system to promptly receive, investigate and take appropriate action where necessary in response to program participant service requests. Agent will keep records of the services. Emergency requests will be addressed on a 24-hour basis.

(f) Consistent with the above, Agent shall conduct semi-annual inspection of all units (with proper notice to program participants) and said requirements for semi-annual inspections will be included in Program Participant Agreements.

Section 4.5 **Annual Operating Budget**. All operating expenses of the property are the obligation of the Owner. Owner, in consultation with the Agent, will prepare an annual operating budget by March 1st of year of the Term ("Annual Operating Budget"). By January 15 of each year of the Term, the Agent shall provide Owner with recommendations for revisions to the previous year Annual Operating Budget, identifying operating expenses that need to be revised. Owner shall be solely responsible for approving the final Annual Operating Budget.

Section 4.6 **Operating Expenses and Income**

(a) From the funds held in the General Operating Account, Agent will disburse regularly and punctually all recurring operating expenses of the Property (if Agent receives invoices) and Agent's compensation in the amounts set forth in Section 7.1(a) for the Residential Site and Section 7.1(b) for the Vacant Site. Owner will retain responsibility for direct payment of any Property expenses not included in the Annual Operating Budget.

(b) Agent shall make arrangements in Owner's name for electric, gas, telephone, water and sewer, and such other services as may be necessary for the operation of the Property in accordance with the Annual Operating Budget. Agent will negotiate and execute such contracts on behalf of owner (subject to Owner's approval), indicate clearly that they are entered by Agent for Owner, and are the sole obligation of Owner. Any equipment and services pursuant to said contracts will survive the termination of this

Agreement and will remain the obligation of the Owner and may not be transferred to Agent. All payments will be made from the General Operating Account.

(c) California law requires Agent to remit to the California Franchise Tax Board 7% of taxable income collected by Agent for Owner unless an exemption applies. Owner authorizes Agent to remit these funds to the California Franchise Tax Board unless Owner provides proof to Agent that Owner is not subject to the withholding requirements. Proof may consist of an accurate, complete and signed FTB Form 590, a waiver letter issued by the FTB, or a reduced withholding letter issued by the FTB.

Section 4.7 Advancement of Funds. In the event the balance in the General Operating Account is at any time insufficient to pay disbursements due and payable as required under Section 2.3 above, Agent shall promptly notify Owner. In no event will Agent be required to use its own funds to pay such disbursements, nor shall Agent be required to advance any funds to Owner or to any of the accounts. Agent will not be required to use Agent's own funds for any purposes. Owner will be responsible for paying any late charges, penalties and/or interest imposed by lenders or others for failure to make payment to those parties, if the failure is due to insufficient funds in Agent's trust account available for payment and the Agent promptly notified the Owner of the insufficient level of funds.

Section 4.8 Reporting Requirements. Agent agrees to keep and maintain all necessary books and records relating to the leasing, management and operation of the Property for five (5) years. All books of account and other records reflecting Agent's operation of the Property shall be maintained in accordance with generally accepted accounting principles applied on a consistent basis. All books and correspondence and data pertaining to the leasing, management and operation of the Property shall, at all times, be safely preserved. Such books, correspondence and data shall be available to Owner at all reasonable times, and shall, upon the termination of this Agreement be delivered to Owner in their entirety and upon request of Owner be delivered to Owner within thirty (30) days of such request. Agent shall retain copies of all records as required by law. Agent shall maintain files of all original Program Participant Agreements and other contracts relating to the Property in an orderly fashion, which files shall be the property of Owner and shall at all times be open to Owner's inspection.

Section 4.9 Property Taxes. California Constitution Article 13, Section 3(b) expressly exempts property owned by a local government from property taxation. To the extent taxes are charged, Owner alone will determine whether to contest any taxes or assessments levied against the Property, and the contest will be at Owner's sole cost and expense. All tax assessment notices received by Agent will be promptly forwarded to Owner, who shall be solely responsible for such taxes or assessments.

Section 4.10 Prevailing Wage.

(a) To the extent required by law, in the rehabilitation of the Residential Site, Agent shall and shall cause all contractors and subcontractors to pay prevailing wages in performing any construction activities as may be required under federal Davis-Bacon Act (40 USC 3141-3148) and the labor compliance provisions to be provided by the Owner (if applicable), and pursuant to Labor Code Sections 1720 et seq. (the "Prevailing Wage Requirements"), and the implementing regulations of the Department of Industrial Relations (the "DIR"), to employ apprentices as required by Labor Code Sections 1777.5 et seq., and the implementing regulations of the DIR and comply with the other applicable provisions of Labor Code Sections 1720 et seq., 1777.5 et seq., 1810-1815, and implementing regulations of the DIR.

(b) The Agent shall be responsible for ensuring a weekly certified payroll submitted through LCP Tracker is required during the term of rehabilitation of the improvements located on the Residential Site.

(c) Agent shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the Owner) the Owner, Owner, its governing board members, officers, representatives, agents, assigns and employees ("Owner Indemnitees") against any claim for damages against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Agent, its contractor and subcontractors) to pay prevailing wages as determined pursuant to California Labor Code Section 1720 et seq., to employ apprentices pursuant to California Labor Code Section 1777.5 et seq., and implementing regulations of the DIR or to comply with the other applicable provisions of California Labor Code Sections 1720 et seq., 1777.5 et seq., and the implementing regulations of the DIR in connection with the rehabilitation of the Residential Site or any other work undertaken or in connection with the Property under this Agreement. The requirements in this subsection survive the termination of this Agreement.

(d) Notwithstanding anything to the contrary, Agent shall have no responsibility to indemnify the Owner Indemnitees for any construction activities contracted by the Owner outside of the scope of this Agreement.

Section 4.11 Monthly Financial Statements. Agent shall prepare and render to Owner, by the 20th day of the following month, monthly financial statements prepared pursuant to generally accepted accounting principles or such other method as is acceptable to Owner in a format prescribed by Owner and any other financial related information as reasonably requested by Owner including:

(a) A report of income and expenses with a schedule of accounts receivable and payable, balance sheet, and reconciled bank statements for both Operating Account and Security Deposit Account as of last day of the prior month.

(b) A report itemizing all delinquent accounts, including program participant accounts, as of the last day of the prior month; and

(c) A report comparing the actual operating costs with budgeted amounts in Annual Operating Budget for the prior month and a year to date as of the last day of the month.

Section 4.12 Return of Improperly Expended Funds. If, based on Owner audit, it is determined that Agent has improperly expended funds from the General Operating Account, reimbursed itself for unauthorized costs from the General Operating Account, or improperly calculated the Management Fee and paid itself from the General Operating Account, Agent shall refund such monies including appropriate interest income losses to the General Operating Account within ten (10) days of demand from Owner.

ARTICLE 5. AGENT'S STATUS

Section 5.1 Agent's Status. The relationship of the parties to this Agreement shall be that of owner and agent and all duties to be performed by Agent under this Agreement shall be for and on behalf of Owner, in Owner's name, and for Owner's account. Agent shall at all times act as a fiduciary of Owner

in connection with its duties, responsibilities, and actions pursuant to this Agreement. In taking any action under this Agreement, Agent shall be acting only as Agent for Owner and nothing in this Agreement shall be construed as creating a partnership, joint venture, or any other relationship between the parties to this Agreement except that of Owner and Agent, or as requiring Agent to bear any portion of losses arising out of or connected with the ownership or operation of the Property. Nor shall Agent at any time during the term of this Agreement be considered a direct employee of Owner. Neither party shall have the power to bind or obligate the other except as expressly set forth in this Agreement except that Agent is authorized to act with such additional authority and power as may be necessary to carry out the spirit and intent of this Agreement. Owner agrees to cooperate with Agent by providing all books, property records and pertinent information at time Agent assumes management responsibilities of the Property. Agent shall perform its duties and obligations in a professional, competent, businesslike and efficient manner

Section 5.2 Agent Personnel and Expenses.

(a) All on-site or off-site personnel necessary for the management, maintenance, and operation of the Property shall be contracted service providers, or employees of Agent and not of Owner and shall be paid and managed by Agent.

(b) Employee Expenses. Wages, fringe benefits, local, state, and federal taxes and assessments (including but not limited to Social Security Taxes, unemployment insurance, workers' compensation insurance and employee benefits), incident to the employment of such personnel, shall be paid solely by the Agent.

(c) Reports and Filings. Agent shall execute and file in its own name and not in the name of Owner all payroll tax reports required under the applicable federal, state, and local laws, regulations, and/or ordinances governing employment, and all other statements and reports pertaining to labor employed in connection with the Property.

Section 5.3 Onsite Property Manager.

(a) At Owner's expense, Owner will provide to Agent an office on the Property to be used to manage and operate the Property. All staff and personnel for the on-site office will be employees of Agent. The on-site employee's salaries, benefits, expenses, and all expenses for supplies, equipment, utilities and telephone service related to operating the office will be a Property expense to be paid from General Operating Account. Employees who are needed only on a part-time basis in connection with the operation and maintenance of the Property, may also be used by Manager at other properties managed by Agent.

(b) At Owner's expense, Owner will provide a residence for use by the onsite management required to live on the Property.

Section 5.4 No other Program Agent. Owner shall not authorize any other person, firm, or corporation to act as a program agent for the term of this Agreement, unless the Agreement is terminated. Owner agrees to promptly forward all inquiries about Program Participant Agreements to Agent.

Section 5.5 Subcontracting by Agent. Notwithstanding Section 5.3, the Agent is authorized to contract with qualified independent contractors with proper licenses and/or certifications when necessary for general maintenance or repair of major mechanical systems. All contracts by Agent shall be subject to

County's procurement rules and regulations, which Owner has provided to Agent. Subject to reasonable costs, Agent may perform any of Agent's duties, and obtain necessary products and services, through affiliated companies or organizations in which Agent may own an interest. Agent shall disclose in writing to Owner any such relationships as they occur, and Agent shall not receive any commissions or profits from unaffiliated companies in performance of this agreement, without prior disclosure to Owner. Agent does not guarantee the inspections, services, products or repairs provided by others to the Property, even if recommended or referred by Agent.

ARTICLE 6. INSURANCE REQUIREMENTS

Section 6.1 Property Insurance. Agent agrees and acknowledges that Property shall be subject to the self-insurance programs carried or administered by the County of San Bernardino.

(a) Agent's Insurance. With respect to its operations of the Property, Agent shall carry, (i) workers' compensation insurance for Agent's employees engaged in the performance of any work undertaken under this Agreement, including employer's liability and umbrella coverage with combined limits of not less than \$1,000,000, such policy must be in compliance with the statutory requirements of the state in which the Property is located, (ii) commercial general liability insurance and excess/umbrella liability insurance policies with combined limits of not less than \$2,000,000 per occurrence and in the aggregate; such policies shall be written on an occurrence basis, and include contractual liability and other provisions as Owner shall reasonably require, and (iii) a crime insurance policy covering employee dishonesty, forgery and alteration, theft disappearance and destruction, and robbery and safe burglary in an amount not less than \$500,000. All policies of insurance shall be maintained during the period of this Agreement. Each policy shall be endorsed to include the provision giving the Owner at least thirty (30) days' prior written notice of cancellation, non-renewal or material change of the policy. At Owner's request, Agent shall furnish Owner with copies of all such endorsements, and with certificates of insurance evidencing such policies and the renewals thereof.

(b) Additional Insurance. In addition, Agent shall carry employment practices liability insurance covering claims made by employees, and errors and omissions covering professional advices and services provided by Agent's employees.

ARTICLE 7. COMPENSATION

Section 7.1 Agent's Compensation.

As compensation for the services provided by Agent under this Agreement (and exclusive of reimbursement of expenses to which Agent is entitled hereunder), Owner shall pay Agent as follows:

(a) Maintenance of Residential Site. Agent shall be paid a monthly property management fee of \$5,000 per month. The services that are included and covered by the monthly management fee for the Residential Site are outlined in Exhibit C-2. The monthly management fee shall commence on the Effective Date.

(b) Maintenance of Vacant Site. Agent shall be paid a monthly property management fee of \$3,750 per month for the maintenance of the Vacant Site. The services that are included and covered by the normal monthly management fee are outlined in **Exhibit C-3**. The monthly management fee shall commence on the Effective Date.

Section 7.2 Additional Services.

(a) In the event that the Owner shall request the Agent to undertake work exceeding the services described in **Exhibit C-2 or Exhibit C-3**, an additional fee may be charged by the Agent for such services. If a fee will be charged by Agent for such services, the \$85 hourly rate or percentage will be disclosed in writing to the Owner prior to any services being performed. Additional services are not covered by this Agreement and will be subject to a separate agreement.

(b) Upon request by Owner, Agent will provide a rate sheet for additional services. Where no price for a particular service is listed on the rate sheet, and to provide an equitable basis for compensation to the Agent for additional services, the Agent may apply a market rate hourly charged for all applicable services. This fee will be deemed to be adequate to compensate the Agent for the additional staff time, effort, and any other additional costs that may be incurred by the Agent to monitor the service.

Section 7.3 Contracting with Affiliates. Agent may perform any of Agent's duties, and obtain necessary products and services, through affiliated companies or organizations in which Agent may own an interest. Agent may receive fees, commissions, and/or profits from these affiliated companies or organizations. Agent has an ownership interest in the following affiliated companies or organizations: PC Maintenance. Agent will disclose in writing to Owner any other affiliate or unaffiliate relationships as they occur. Agent will not receive any fees, commissions or profits from unaffiliated companies or organizations in performing this Agreement, without prior disclosure to Owner.

ARTICLE 8. DEFAULTS AND REMEDIES

Section 8.1 Defaults. A "Default" shall mean a breach by either party of its material obligations under this Agreement not cured within thirty (30) days following receipt of written notice by the defaulting party from the other party specifying in detail the nature of such default and the steps required to cure same, provided, however that if such Default is not reasonably susceptible of cure within such thirty (30) day period, such cure period shall be extended for a reasonable period of time to cure the default (not to exceed sixty (60) days), so long as the defaulting party has commenced good faith diligent efforts to cure such Default within such initial thirty (30) day period and is thereafter diligently pursuing such cure to completion. In the event of an uncured Default by Agent, Owner shall have the right to terminate this Agreement for cause and/or pursue any right or remedy at law or in equity, including specific performance. In the event of an uncured Default by Owner, Agent shall have the right to terminate this Agreement for cause and/or pursue any right or remedy at law or in equity, including specific performance.

ARTICLE 9. MISCELLANEOUS

Section 9.1 Covenants and Conditions. All of the terms and conditions of this Agreement are expressly intended to be construed as covenants as well as conditions. Any default in the performance of

any duty or obligation herein contained shall be deemed to be a material breach of obligation and shall give rise to any and all of the remedies herein provided.

Section 9.2 Indemnifications.

(a) Agent will indemnify, protect, defend and hold harmless the Owner and its elected officials, officers, employees and agents in their official capacity (hereinafter collectively referred to as "Owner Indemnitees"), from and against any and all claims, demands, liabilities, insurance deductibles, losses, costs, damages or expenses (including, without limitation, reasonable attorneys' fees and costs) arising out of or resulting from any breach or default by Agent under the terms of this Agreement, and shall protect and defend Owner Indemnitees, and any of them with respect thereto, except to the extent caused by the gross negligence or willful misconduct of the Owner or any Owner Indemnitees. Nothing in this Agreement shall require the Agent to indemnify the Owner Indemnitees for any actions or activities outside of the scope of this Agreement.

(b) Owner will indemnify, protect, defend and hold harmless the Agent and its officers and employees (hereinafter collectively referred to as "Agent Indemnitees") from and against any and all claims, demands, liabilities, insurance deductibles, losses, costs, damages or expenses (including, without limitation, reasonable attorneys' fees and costs) arising out of or resulting from any breach or default by Owner under the terms of this Agreement and those arising out of or resulting from activities of the Owner on the Property outside the scope of this Agreement; and Owner shall protect and defend Agent Indemnitees, and any of them with respect thereto, except to the extent caused by the gross negligence or willful misconduct of the Agent or any Agent Indemnitees. Nothing in this Agreement shall require the owner to indemnify the Agent Indemnitees for any actions or activities of the Agent Indemnities outside of the scope of this Agreement.

(c) The provisions of this section shall survive expiration or other termination of this Agreement and the provisions of this section shall remain in full force and effect.

Section 9.3 Force Majeure. The time period(s) specified herein for performance of the services rendered pursuant to this Agreement shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of Agent, including, but not restricted to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, pandemics, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, litigation, and/or acts of any governmental agency, including Owner, if Agent shall within ten (10) days of the commencement of such delay notify Owner in writing of the causes of the delay. Owner shall ascertain the facts and the extent of delay, and extend the time for performing the services for the period of the enforced delay when and if in the judgment of Owner such delay is justified. Owner's determination shall be final and conclusive upon the parties to this Agreement.

Section 9.4 Complete Agreement. This Agreement, including all exhibits attached hereto, constitutes the entire Agreement between Owner and Agent with respect to the management and operation of the Property and supersedes and replaces any and all previous agreements entered into and/or negotiated between Owner and Agent relating to the Property. Any and all amendments, additions, or deletions to this Agreement shall be approved by Owner and Agent in writing. Owner and Agent hereby acknowledge and agree that, other than as expressly set forth in this Agreement, neither Owner nor Agent has made any warranties, representations, covenants, or agreements, express or implied, concerning the Property or the

subject matter of this Agreement. Neither party, in entering into and executing this Agreement, has relied upon any warranties, representations, covenants, or agreements, express or implied, other than those expressly set forth herein. Time is of the essence of this Agreement. The waiver by any party of a breach of any provision of this Agreement will not be deemed a continuing waiver or a waiver of any subsequent breach whether of the same or another provision of this Agreement.

Section 9.5 Enforceability. The invalidity of any clause, part, or provision of this Agreement shall not affect the validity of the remaining portion thereof. Owner's and Agent's remedies under this Agreement are cumulative, and the exercise of one remedy shall not be deemed an election of remedies nor foreclose the exercise of Owner's other remedies. No waiver by Owner of any breach of this Agreement shall be deemed to be a waiver of any other or subsequent breach.

Section 9.6 Governing Law and Venue. The law of the state of California shall govern the interpretation and enforcement of this Agreement. The parties agree that the venue of any action or claim brought by any party to this Agreement will be the Superior Court of California, County of San Bernardino, San Bernardino District. Each party hereby waives any law or rule of the court, which would allow them to request or demand a change of venue. If any action or claim concerning this Agreement is brought by any third party and filed in another venue, the parties hereto agree to use their best efforts to obtain a change of venue to the Superior Court of California, County of San Bernardino, San Bernardino District.

Section 9.7 Headings. The headings used in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope or the intent of this Agreement.

Section 9.8 Notices. Any, notices, demands, consents, and reports necessary or provided for under this Agreement shall be in writing and shall be addressed as follows, or at such other address as Owner and Agent individually may specify hereafter in writing:

AGENT: Quality Management Group
 3105 East Guasti Road, Suite 100
 Ontario, CA 91761
 Attn: Tim Johnson

OWNER: Human Services Administration
 County of San Bernardino
 150 South Lena Road
 San Bernardino, CA 92415-0515
 Attn: Allen Simmons

Such notice or other communication may be mailed by United States registered or certified mail, return receipt requested, postage prepaid, and may be deposited in a United States Post Office or a depository for the receipt of mail regularly maintained by the post office. Such notices, demands, consents, and reports may also be delivered by hand or by any other receipted method or means permitted by law. For the purpose of this Agreement, notices shall be deemed to have been "given" or "delivered" upon

personal delivery thereof or forty-eight (48) hours after having been deposited in the United States mail service as provided herein.

Section 9.9 Approvals. Notwithstanding anything herein to the contrary, whenever in this Agreement the consent, approval, authorization, certification or any other similar action (collectively, "**Approval**") of any party to this Agreement is required, Approval will not be unreasonably withheld, delayed or conditioned.

Section 9.10 Successors and Assigns. Neither Owner nor Manager shall assign this Agreement or any interest herein or delegate any of its duties hereunder without the prior written consent of the other party. Subject to the foregoing restrictions, this Agreement shall inure to the benefit of and constitute a binding obligation upon Owner and Agent and their respective successors and assigns.

Section 9.11 Attorneys' Fees. In any action between Owner and Agent seeking enforcement of any of the terms and provisions of this Agreement, or in connection with the Property, the prevailing party in such action shall be awarded its costs and expenses, including reasonable attorney's fees, incurred in connection with such litigation or action.

Section 9.12 Severability. Should any Article or any part of an Article within this Agreement be rendered void, invalid or unenforceable by any court of law, for any reason, such shall not void or render invalid or unenforceable any other Article or part of an Article in this Agreement.

Section 9.13 Waiver. No waiver of any default shall constitute a waiver of any other default or breach, whether of the same or other covenant or condition. No waiver, benefit, privilege, or service voluntarily given or performed by a party shall give the other party any contractual rights by custom, estoppel, or otherwise.

Section 9.14 Incorporation of Recitals and Exhibits. The Recitals set forth above, and Exhibits A through C are incorporated into this Agreement by reference as though fully set forth herein.

Section 9.15 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, with the same effect as if all parties hereto had signed the same signature page. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this Agreement identical in form hereto but having attached to it one or more additional signature pages. The signature of any party to this Agreement transmitted to any other party by electronic signature software or service, facsimile or e-mail (.PDF copy) shall be deemed an original signature of the transmitting party for any and all purposes.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have affixed or caused to be affixed their respective signatures:

OWNER:

County of San Bernardino, a political subdivision of
the State of California

By: _____
Curt Hagman, Chair
Board of Supervisors

Date: _____

SIGNED AND CERTIFIED THAT A COPY OF THIS DOCUMENT
HAS BEEN DELIVERED TO THE CHAIR OF THE BOARD

Lynna Monell
Clerk of the Board of Supervisors
Of the County of San Bernardino

By: _____
Deputy

APPROVED AS TO FORM:

Michelle D. Blakemore,
County Counsel

By: _____
Suzanne Bryant, Deputy County Counsel

[Signature Page Continues]

AGENT:

Quality Management Group, a California corporation

By: _____
Joshua LaBarge, President

Date: _____

EXHIBIT A

PROPERTY LEGAL DESCRIPTION

EXHIBIT B

SITE MAP

(Included)



EXHIBIT C

AGENT AND OWNER RESPONSIBILITIES,
SUPPORTIVE SERVICE PLAN AND PARTICIPATION SELECTION PLAN

(See Attached)

EXHIBIT C-1

OWNER RESPONSIBILITIES,

(See Attached)

EXHIBIT C-2

AGENT RESPONSIBILITIES
RESIDENTIAL SITE

(See Attached)

EXHIBIT C-3

AGENT RESPONSIBILITIES
VACANT SITE

(See Attached)