

MANAGEMENT AGREEMENT

This MANAGEMENT AGREEMENT ("Agreement") is made and entered into as of the _____ day of August, 2015 by and between **the CITY OF KANNAPOLIS**, a North Carolina municipal corporation, ("Owner") and **SOUTHERN REAL ESTATE COMPANY OF CHARLOTTE, INC.**, a North Carolina corporation ("Property Manager"), with reference to the following facts:

A. Owner owns those certain properties more particularly described as Downtown Kannapolis, located in Kannapolis, North Carolina and including Cabarrus County Tax Parcels 56145052510000, 56135935940000, 56146002540000, 56135999040000, 56135965850000, 56146040340000, 56136938000000, 56136927090000, 56136904880000, 56136913010000, 56136902640000, 56136958910000, 56136933740000, 56136932590000, 56135864850000, 56135863270000, 56135862580000 (the "Property") and shown more specifically on Exhibit "C" attached hereto for a complete list of properties.

B. Property Manager is a licensed real estate broker in good standing in the State in which the Property is located and is experienced in the management of properties such as the Property.

C. Owner desires to hire Property Manager to perform on behalf of Owner certain management duties, and Property Manager desires to perform such services for Owner all upon the terms conditions, and provisions set forth herein.

D. Asset Manager: Southern Real Estate will report directly to individuals of The Development Finance Initiative. The Development Finance Initiative will act as Asset Manager and liaison to the Owner (City of Kannapolis). The Asset Manager fees and compensation are subject to a separate agreement and not directly related to Management Agreement between Owner and Property Manager.

NOW, THEREFORE, the parties agree as follows:

Section 1. Definitions.

The following terms shall have the following meanings within the context of this Agreement:

- 1.1 **"Property"** means all parcels listed in Exhibit "C".
- 1.2 **"Asset Manager"** means the Development Finance Initiative.
- 1.3 **"Tenant"** means a tenant or lessee under any Tenant Lease or his successor-in-interest.

1.4 "Landlord" means a landlord or lessor under any Tenant Lease or his successor-in-interest.

1.5 "Tenant Lease" means any written lease, tenancy, occupancy agreement or rental agreement, whether existing on the date hereof or entered into after the date hereof, for the rent or lease of space on the Property.

1.6 "Tenant Improvement" means any improvements required to be constructed, or any equipment or furnishings required to be installed pursuant to a Tenant Lease within any space covered by a Tenant Lease.

1.7 "Tenant Sale Reports" shall mean the periodic reports required to be completed by Tenant pursuant to a Tenant Lease containing a percentage rent clause or other similar clause, to reflect the volume of business conducted by the Tenant on the space covered by a Tenant Lease.

Section 2. Appointment.

Owner designates and appoints Southern Real Estate Company of Charlotte, Inc., as Property Manager for the Property upon the terms, conditions and provisions set forth herein. Southern Real Estate accepts such appointment and agrees to manage, operate and maintain the Property in accordance with this Agreement.

Section 3. Term.

3.1 Basic Period. The term of this Agreement shall commence on _____ (the "Commencement Date") and shall continue until _____ (the "Termination Date"), unless earlier terminated in accordance herewith. This agreement shall after the original term, continue on a thirty (30) day basis until canceled by either party by a thirty (30) day written notice.

3.2 Termination for Cause. At any time during the term hereof, Owner shall have the right to terminate this Agreement, upon thirty (30) days prior written notice, to Property Manager if (a) Property Manager shall default on any of its obligations hereunder and shall fail to cure the default within ten (10) days after written notice from Owner to Property Manager specifying the nature of this default, or (b) Property Manager shall violate its fiduciary obligations to Owner.

3.3 Termination Upon Sale. At the option of the Owner, this Agreement shall terminate upon Owner's sale, exchange, ground lease, or other transfer of legal title to any of parcel included in the Property. Owner may exercise this option by giving Property Manager written notice of such termination within thirty (30) business days of such termination.

3.4 Consequences of Termination. Upon termination of this Agreement, Property Manager shall immediately deliver to Asset Manager and Owner: (a) all of the records in the possession of Property Manager and any personal property in Property Manager's possession or control belonging to Owner or pertaining to the Property; (b) any funds of any Tenant or Owner; (c) any Tenant Leases, receipts for deposits, insurance policies and unpaid bills which pertain to

the Property; (d) keys, garage cards, parking permits and passes; and (e) any other documents, property or other items relating to the Property in its possession or control. Property Manager's right to compensation hereunder shall immediately cease upon termination, except for any amounts payable with respect to periods prior to the date of termination, and neither party shall have any rights, duties or obligations hereunder, except such duties specified herein as surviving the termination hereof.

Section 4. Obligations and Authority of Property Manager.

4.1 Specific Obligations. Property Manager's specific obligations relating to management of the Property shall include the following:

(a) Property Manager shall (i) take all reasonable actions to ensure the timely payment of rent by Tenants including but not limited to the delivery of notices of default; (ii) enforce and supervise the preparation and review of Tenant Sale Reports; provided, however, that Property Manager shall take no action to terminate any Tenant Lease or otherwise institute any legal or other proceedings or action pertaining to or which may otherwise affect Tenants or the Tenant Leases, except upon and to the extent of prior instructions from Asset Manager. Property Manager shall submit copies of all notices to or correspondence with Tenants to Asset Manager concurrently.

(b) Property Manager shall use its best efforts to ensure compliance with all provisions of the Tenant Leases; and, of receiving knowledge thereof, Property Manager shall promptly disclose to Asset Manager in writing any violation of any Tenant Lease:

(c) Property Manager shall maintain regular businesslike relations with Tenants and, except as otherwise provided herein to the contrary, handle on behalf of Asset Manager all tenant matters, including, without limitation, supervision of Tenant Improvements made by and at Tenant's expense, and disposition of tenant requests; provided, however, that Property Manager shall have no authority whatsoever to execute or agree to execute or effectuate any amendment or modification of Tenant's Lease;

(d) Property Manager shall keep itself fully apprised of all obligations under the Tenant Leases, including but not limited to obligations under exclusive use agreements, covenants, conditions, warranties or representations and shall take all reasonable actions, to assure compliance under the Tenant Leases;

(e) Property Manager shall keep itself fully apprised of all conditions and circumstances which affect or may affect the Property, its value or profitability, including but not limited to changes in law, natural disasters and other acts of God, changes in local economic conditions, and changes in the use of condition or properties in the vicinity of the Property, and shall immediately inform Asset Manager in writing of any such conditions or circumstances which materially affect or may materially affect the Property, its value or profitability.

4.2 Management of the Property.

Property Manager shall prepare an annual operating budget and do or cause to be done everything reasonably necessary for the proper management, maintenance and operation of the Property, including but not limited to:

(a) Employing and supervising the performance of all on-site employees and maintenance personnel, and negotiating contracts on terms approved in advance in writing (except in an emergency, in which case verbal approval shall be sufficient) by Asset Manager with all independent contractors, subcontractors, suppliers and servicing agents required for the management, maintenance and operation of the Property and the construction of Tenant improvements; provided, however, that:

- (i) Such employees shall be the employees of Property Manager for all purposes, including, without limitation, federal and state withholding tax and workers' compensation insurance. Owner shall reimburse the costs and expenses incurred by Property Manager with respect to such employees to Property Manager as outlined in Exhibit "B".
- (ii) Property Manager shall comply with and shall cause all employees and independent contractors employed or contracted by Property Manager to comply with any and all applicable federal, state, county or local statutes, laws, rules, regulations or orders;
- (iii) Those employees of Property Manager who handle or are responsible for the handling of monies shall, at Property Manager's expense, be bonded by a fidelity bond acceptable to Owner, indemnifying Owner as obligee against loss, theft, embezzlement or other fraudulent acts on the part of Property Manager or its employees;

(b) At the expense of Owner, causing the Property, including but not limited to plumbing, heating and ventilating systems to be maintained in first-class condition, and in connection therewith perform such interior and exterior cleaning, carpentry work, painting and other normal maintenance and repair work as may be necessary for the proper operation and maintenance of the Property. This includes all areas except for common areas which are maintained/provided directly by the Owner;

(c) Contracting in the name of and at the expense of Owner on favorable terms, quality and service considered, for all services and utilities necessary for the efficient operation and maintenance of the Property, including but not limited to water, electricity, gas, fuel, telephone, vermin extermination, , window cleaning, , and other services required for upkeep of buildings and common areas which are not otherwise maintained/provided directly by the Owner, all after obtaining written approval of Asset Manager prior to any such contracting;

(d) Approving and authorizing the payment of all fees, charges and expenses of all independent contractors, architects, engineers, subcontractors, suppliers and service agents utilized in the management, operation and maintenance of the Property or the construction of Tenant Improvements, subject to final approval by Asset Manager;

(e) Purchasing all necessary supplies and equipment required for the operation, maintenance and restoration of the property and the construction of Tenant Improvements;

(f) Making or causing to be made all repairs, replacements, renovations and capital improvements of the Property, including by not limited to improvements to Tenant space required by Asset Manager as approved by Asset Manager;

(g) Furnishing to the Tenants or occupants of the Property such services as are usually or customarily furnished or rendered in connection with the lease of space in real property such as the Property or as are required to be furnished by the landlord under any Tenant Lease, or as requested by Asset Manager;

(h) Submitting to Asset Manager after receipt thereof, original copies of orders, requirements, invoices, claims, notices, demands, complaints, actions, correspondence or requests received from any Tenant, adjoining landowner, governmental agencies or officials, or any other third parties pertaining to the Property; and

(j) The additional services set forth on Exhibit "A" attached hereto and incorporated herein by reference as a part of this Agreement.

4.3 Limitations.

Notwithstanding anything to the contrary herein, (i) Property Manager shall not, without the prior written authorization of Asset Manager, make any expenditure of funds, take any action or incur any obligation with respect to any under budgeted item or related groups of items of expense exceeding \$2,500.00 ; (ii) Property Manager shall have no authority to execute, enter into or renew any contracts affecting the Property which have a term (taking into account any options, extensions and automatic renewals) in excess of 30 days or which involve amounts in excess of \$2,500.00; and (iii) unless provided for by separate written agreement, Property Manager shall have no authority whatsoever to contract for or on behalf of Owner with respect to leasing of space in the Property.

4.4 Costs and Expenses.

Except as otherwise provided herein, all direct operating expenses of the Property incurred by Property Manager in accordance with this Agreement shall be paid by Property Manager, and any such expenses paid by Property Manager shall be reimbursed, each in accordance with Section 5.3. Owner shall not be required to pay or reimburse Property Manager's expenses for its employees, insurance, and other general and administrative expenses except as provided in staffing Exhibit "B", attached hereto and incorporated herein by reference as a part of this Agreement.

Section 5. Accounting.

5.1 Book of Account and Final Reports.

(a) Property Manager shall, at its expense, maintain or cause to be maintained complete and accurate books of accounting reflecting the operation of the Property in accordance with Owner's accounting methods and such records shall be open for inspection by Asset Manager and Owner during business hours; and

(b) Within thirty (30) days after the end of each calendar month during the term hereof, Property Manager shall render to Asset Manager and Owner an un-audited statement showing all receipts and disbursements resulting from the management, maintenance and operation of the Property during such calendar month. If Owner requests, Property Manager shall furnish Asset Manager and Owner with an annual audited statement of the Property's receipts and disbursements prepared by an independent accounting firm selected or approved by Owner, provided, however, that all expenses incurred in connection with such audited statement shall be borne by Owner.

5.2 Management Reports. Within thirty (30) days after the end of each calendar month during the term hereof or on such more frequent basis as Asset Manager shall reasonably request, Property Manager shall prepare and deliver to Asset Manager a written report in form approved by Asset Manager reviewing and summarizing the operations, leasing, maintenance and other material aspects of the Property during the preceding period and containing such other information as Asset Manager shall reasonably request. Property Manager shall further research, gather and assemble all information and data for and prepare such other reports as Asset Manager shall require from time to time.

5.3 Purchase Orders, Invoices, Payment Requests and Approvals. Property Manager shall pay all approved invoices and upon request forward to Asset Manager (upon Asset Manager's request) all paid invoices and other documentation pertaining to expenditures made or incurred by Property Manager. Owner shall not reimburse Property Manager for any expenditures made or incurred by Property Manager in violation of any term or provision hereof.

5.4 It is acknowledged that Owner has deposited with Property Manager One Thousand Dollars (\$1000.00) to be deposited in Owner's trust account to be used as operating expenses as herein provided. Said deposit to be returned to Owner upon termination of this agreement.

5.5 Manager shall collect, when due, all rents, charges, proceeds and other amounts receivable on the Owner's account in connection with the management of the Property.

Section 6. Banking.

6.1 Rental Receipts and Other Income. Unless otherwise directed by Asset Manager, Property Manager shall deliver to Owner or its designated depository, any and all net rental

receipts, income or other funds collected by or otherwise received by Property Manager from the Property for the calendar month within five days after the end of such calendar month.

6.2 Bank Accounts. Property Manager shall maintain a bank trust account, and deposit therein all receipts from the Property and make appropriate disbursements therefrom, at a federally insured (FDIC-FSLIC) local bank or savings and loan association.

Section 7. Compensation of Property Manager.

7.1 Management Fee. As compensation for Property Manager's services as manager of the Property, Property Manager will receive four percent (4%) gross rental collected by Property Manager for that period, or Five Thousand Dollars (\$5,000.00), whichever is greater, from Owners' receipts on or before the last day of each calendar month during the term of this Agreement.

7.2 Fee for Supervision of Major Improvements. In addition to all other compensation due Property Manager hereunder, Owner shall pay Property Manager a fee in an amount five percent (5%) of the hard cost of such major improvement or project for the supervision of any major improvement or project to Tenant space or any other part of the Property/Properties approved by Asset Manager and constructed or performed under the supervision of Property Manager. The term "major improvement" shall be deemed to include any project which exceeds ten thousand dollars (\$10,000) in hard costs.

Section 8. Termination.

8.1 Basis for Termination: During the term of this Agreement, and any extension thereof, either party shall be entitled, at its option, to terminate this Agreement immediately at such time as one of the following should occur:

(a) The failure of the other party to observe and perform the terms and covenants of this Agreement if such failure continues for a period of ten (10) days after the non-defaulting party shall have provided the defaulting party with written notice of such failure, which notice shall specify in detail such failure.

(b) The sale or ground lease of all of the Property by Owner.

(c) The other party shall make an assignment for the benefit of creditors generally.

(d) There shall be filed by or against the other party any petition for the adjudication of said party as a bankrupt or for reorganization or any similar relief under bankruptcy or similar insolvency laws of general application.

Upon the occurrence of any one of the above said events, this Agreement may be terminated upon written notice by the non-defaulting party to the defaulting party of the election to terminate.

8.2 Termination:

(a) In addition to the provisions of Section 3.4, upon termination of this Agreement pursuant to the terms and conditions hereof, Property Manager shall immediately (i) surrender and deliver up to Owner the Property and all rents and income of the Property and other monies of Owner on hand and in any bank account; (ii) deliver to Owner as received any monies due Owner under this Agreement but received by Property Manager after such termination; (iii) deliver to Owner all materials, equipment, tools and supplies, keys, contracts, and documents relating to the Property and such other accountings, papers, records and reports pertaining to this Agreement as Owner shall reasonably request; (iv) assign such existing contracts relating to the operation and maintenance of the Property as Owner shall require, provided that owner shall agree to assume all liability thereunder accruing after the termination of this Agreement; and (v) furnish all such information and take all such action as Owner shall reasonably require in order to effectuate an orderly and systematic ending of Property Manager's duties and activities hereunder.

(b) Upon and after termination, Property Manager shall reasonably cooperate with any new manager(s) designated by Owner to effect an orderly transition and transfer of management.

Section 9. Insurance.

(a) Property Manager shall procure and maintain at its or their expense, the following insurance coverages (in a company or companies authorized to do business in the jurisdiction in which the Property is located and acceptable to Owner in the following minimum amounts:

Worker's Compensation:

(Including coverage for Occupational Disease)

	<u>Limit of Liability</u>
Worker's Compensation	Statutory Benefits
Employer's Liability	At least \$500,000 for each
occurrence	

Comprehensive General Liability

	<u>Limit of Liability</u>
Bodily Injury	\$1,000,000.00 each occurrence
	\$1,000,000.00 in the aggregate
Property Damage	\$ 500,000.00 each occurrence
	\$ 500,000.00 in the aggregate

Comprehensive Automobile Liability
(Including coverage for hired and non-hired
automobiles)

	<u>Limit of Liability</u>
Bodily Injury	\$1,000,000.00 each person \$1,000,000.00 each occurrence
Property Damage	\$ 500,000.00 each occurrence
Umbrella	\$2,000,000

(b) Property Manager shall furnish to Owner, one (1) or more Certificate of Insurance with endorsements indicating: (i) the types and amounts of insurance required under this Agreement, (ii) the insurance company or companies carrying said coverages, (iii) the effective and expiration dates of the policies

(c) Property Manager shall name Owner as an additional insured under the liability policies required by this Section.

(d) Owner shall be exempt from, and in no way liable for sums of money that may represent a deductible in Property Manager's insurance policy. The payment of such deductible shall be the sole responsibility of Property Manager.

(e) Within 10 days after execution of this Agreement, Property Manager shall provide Owner with certificates of insurance and endorsements documenting that the insurance requirements set forth in this paragraph have been met, and that the Owner be given thirty (30) days' written notice of any intent to amend coverage or make material changes to or terminate any policy by either the insured or the insurer. Property Manager shall further provide such certificates of insurance to the Owner at any time requested by the Owner after the execution of this Agreement, and shall provide such certificates within five (5) days after the Owner's request. The Owner's failure to review a certificate of insurance sent by or on behalf of Property Manager shall not relieve Property Manager of its obligation to meet the insurance requirements set forth in this Agreement.

(f) Failure to maintain the insurance coverage required in this paragraph is a material default subject to termination of this Agreement.

(g) Property Manager shall notify the Owner, in writing, as required in Sec. 8, immediately upon learning of cancellation or reduction of the insurance afforded by its policy.

Section 10. Standard of Care, Indemnity.

10.1 Standard of Care. In the performance of its duties and obligations under this Agreement, Property Manager shall exercise the highest degree of professional competence in managing, operating and maintaining the Property.

10.2 Indemnification of Owner By Property Manager. Property Manager shall indemnify, hold harmless and, at their option, defend Owner, and its employees and agents from and against any and all expenses, including without limitation attorneys' fees, court costs and accounting fees, losses, damages, liabilities and claims arising out of (i) any breach of any of the obligations of Property Manager hereunder, or (ii) any willful or negligent act or omission of Property Manager, its employees and agents and any of the contractors and employees employed by Property Manager hereunder. The obligations of this Section shall survive the termination of this Agreement.

10.3 Indemnification of Property Manager by Owner. To the extent permitted by law, Owner shall indemnify, hold harmless and, at their option, defend Property Manager, and its employees and agents from and against any and all expenses, including without limitation attorneys' fees, court costs and accounting fees, losses, damages, liabilities and claims arising out of (i) any breach of any of the obligations of Owner hereunder, or (ii) any willful or negligent act or omission of Owner, its employees and agents and any of the contractors and employees employed by Owner hereunder. The obligations of this Section shall survive the termination of this Agreement.

~~During the term of this Agreement, Owner shall indemnify and hold harmless Property Manager from liability or expense (including reasonable attorneys' fees and court costs) arising out of injuries or damages to persons or property, by reason of any cause other than negligence, willful misconduct or breach of this Agreement by Property Manager, its agents or employees, occurring on or around the Property, if such liability or expense is incurred when Property Manager is acting pursuant to this Agreement, or under the direction of or with the approval of Owner. In addition, Property Manager shall be named as an additional insured on any comprehensive public liability policy covering the Property.~~

Section 11. Nature of Agreement.

This Agreement is intended exclusively to effect the hire of Property Manager by Owner as an independent contractor for the management of the Property as set forth herein and should in no event be construed, interpreted as, or have the effect of, creating a relationship between Property Manager and Owner of partnership, joint venture, co-tenancy or any other group or joint interest whatsoever, nor as conveying to Property Manager any legal or beneficial interest in the Property.

Section 12. General Provisions.

12.1 Modification: Waiver. Neither any change nor modification of this Agreement, nor any waiver of any term or condition hereof, shall be valid or binding upon the parties hereto, unless such change, modification or waiver shall be in writing and signed by the parties hereto. A waiver of one provision shall at no time constitute a waiver of any other provision or the same provision at a future time.

12.2 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto, their legal representatives, transferees, successors and permitted assigns.

12.3 Construction. This Agreement shall be interpreted and construed in accordance with the laws of the State of North Carolina. The titles of the sections and paragraphs herein have been inserted for ease of reference only and shall not control or affect the meaning or construction of any of the terms or provisions hereof.

12.4 Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes any prior understanding, whether oral or written, and is intended by the parties hereto to be the final expression of their agreement and the complete and exclusive statement of the terms thereof, notwithstanding any prior representation or statement to the contrary.

12.5 Notices All notices that may be proper or necessary to be served or made hereunder shall be in writing and will be deemed delivered when: (a) Actually received with verifiable evidence thereof; (b) Upon receipt by sender of a certified mail, return receipt signed by an employee or agent of the Party; (c) Upon proof of delivery by a nationwide provider of next-day delivery services and addressed to the respective other Party at the address set forth in this Agreement or such other address as the Party may have designated by notice or Agreement amendment to the other Party. Consequences to be borne due to failure to receive a notice due to improper notification by the intended receiving Party of a new address will be borne by the intended receiving Party. A change of address, or person to receive notice may be made by either party by notice given to the other party. Any notice or other communication under this Contract shall be deemed given at the time of actual delivery, if it is personally delivered. The addressees of the Parties to this Agreement are as follows:

To the Owner:	To the Property Manager:
City Manager	Southern Real Estate Company of Charlotte Inc.
City of Kannapolis	Attn: W. Steven Banner, CPM RPA CCIM
401 Laureate Way	4201 Congress Street, Suite 170
Kannapolis, North Carolina 28081	Charlotte, North Carolina 28209
Telephone: 704-920-4300	Telephone: 704-375-1000

12.6 Severance. If any term, condition, covenant or agreement of this Agreement or the application thereof to any person or circumstances shall be invalid or unenforceable, the remainder of such term, condition, covenant or agreement or its application to persons or circumstances other than those to which it is held invalid, shall both be unaffected thereby.

12.7 Authority. The parties hereto represent and warrant to each other, as applicable, that they have the power and authority to enter into this Agreement and that any of their respective partners, officers, agents and representatives performing obligations hereunder have been duly authorized and directed to do so.

12.8 Assignment, Successors and Assigns. Without the Owner's written consent, the Property Manager shall not assign (which includes to delegate) any of its rights (including the right to payment) or duties that arise out this Contract. Unless the Owner otherwise agrees in writing, the Property Manager and all assigns shall be subject to all of the Owner's defenses and

shall be liable for all of the Property Manager's duties that arise out of this Contract and all of the Owner's claims that arise out of this Contract. Without granting the Property Manager the right to assign, it is agreed that the duties of the Property Manager that arise out of this Contract shall be binding upon it and its heirs, personal representatives, successors, and assigns.

12.9 Compliance with Law. In performing all of the Work, the Property Manager shall comply with all applicable City, State and Federal laws.

12.10 City Policy. THE CITY OPPOSES DISCRIMINATION ON THE BASIS OF RACE AND SEX AND URGES ALL OF ITS CONTRACTORS TO PROVIDE A FAIR OPPORTUNITY FOR MINORITIES AND WOMEN TO PARTICIPATE IN THEIR WORK FORCE AND AS SUBCONTRACTORS AND VENDORS UNDER CITY CONTRACTS.

12.11 EEO Provisions. EEO Provisions. During the performance of this Contract the Property Manager agrees as follows:

The Property Manager shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, political affiliation or belief, age, or handicap. The Property Manager shall take affirmative action to insure that applicants are employed and that employees are treated equally during employment, without regard to race, color, religion, sex, national origin, political affiliation or belief, age, or handicap. The Property Manager shall post in conspicuous places available to employees and applicants for employment, notices setting forth these EEO provisions. (2) The Property Manager in all solicitations or advertisements for employees placed by or on behalf of the Property Manager, state all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, national origin, political affiliation or belief, age, or handicap.

12.12 W-9 Form. Property Manager shall provide a completed W-9 form to the Owner upon execution of this Contract.

12.13 Non-appropriation. Property Manager acknowledges that the Owner is a governmental entity, and the contract validity is based upon the availability of public funding under the authority of its statutory mandate. In the event that public funds are unavailable and not appropriated for the performance of Owner's obligations under this contract, then this contract shall automatically expire without penalty to the Owner, thirty (30) days after written notice to Property Manager advising of the unavailability and non-appropriation of public funds. It is expressly agreed that the Owner shall not activate this non-appropriation provision for its convenience or to circumvent the requirements of this contract, but only as an emergency fiscal measure during a substantial fiscal crisis, which affects generally its governmental operations.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

OWNER:

CITY OF KANNAPOLIS

By: _____
Michael B. Legg
City Manager

MANAGER:

**SOUTHERN REAL ESTATE COMPANY OF
CHARLOTTE, INC.**

By: _____
W. Steven Banner
Vice President/Director, Property Management

This instrument has been pre-audited in the manner required by the
“Local Government Budget and Fiscal Control Act.”

Eric Davis
Finance Director

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Exhibit A

The services to be provided by NAI Southern Real Estate include but are not limited to:

- 24 hour/ 7 days a week help desk services.
- Routine inspections by NAI Southern Real Estate.
- NAI Southern Real Estate would maintain all preventative maintenance records on the building.
- Assist in scheduling services such as snow removal, etc.
- Track all building warranties.
- Collect all rent, pay all invoices, and prepare year end reports
- Prepare annual budgets, operating and capital
- Maintain rent roll, lease abstracts, and tenant profiles
- Negotiate all building contracts at favorable rates
- Tenant retention programs
- Semi-annual roof inspections
- Supervise building improvements less than \$10,000 at no additional cost
- Maintain certificates of insurance on all vendors and contractors.
- Provide a maintenance technician for the building (see duties below).
- Maintenance technicians supervised by the SRE Operations Manager

Maintenance technician duties and responsibilities

- Change light bulbs as needed.
- Minor plumbing repairs, such as unstopping toilets, etc.
- Address HVAC issues before calling in a contractor.
- Keep all mechanical rooms clean at all times.
- Minor building repairs such as adjustment to door closers, doors, etc.
- 24-hour emergency response for after hour's emergencies.
- Miscellaneous maintenance requests and additional services as required.

**Exhibit B:
ADDITIONAL PRICING MATRIX**

- **Portfolio Manager/Consultant - billed at \$65/hour (\$2,600 per week – full time)**
Portfolio Manager will be devoted to the City of Kannapolis project full-time during property transition/stabilization and as required. Portfolio Manager's time will diminish at discretion of Owner based on needs and requirements of such position. Total time will be billed directly to the property on a monthly basis.
- **On-Site Facility Manager – Estimated at \$52,000 per year + \$15,600 Burden**
A fully-qualified, local Kannapolis individual will be hired by Southern Real Estate as the full-time on-site Facility Manager. Hiring of this individual will be as soon as possible. Salary is subject to change. Final candidate will be approved by the Owner, UNC School of Government and NAI Southern Real Estate. Salary plus benefits/burden and overtime will be billed directly to the Owner on a monthly basis with no administrative fee or mark-up.
- **On-Site Lead Maintenance Technician - \$52,000 per year + \$15,600 Burden**
A fully-qualified, local Kannapolis individual will be hired by Southern Real Estate as the full-time on-site Lead Engineer. Hiring of this individual will be as soon as possible. Salary is subject to change. Final candidate will be approved by the Owner, UNC School of Government and NAI Southern Real Estate. Salary plus benefits/burden and overtime will be billed directly to the Owner on a monthly basis with no administrative fee or mark-up.
- **Additional Accounting Fees - \$65/ hour**
Standard property management reporting and accounting services are included in the Management Fee however, if additional accounting services and/or reports are required by Owner and such services and/or reports are deemed above and beyond "standard" accounting services by Manager, such additional work will be billed back to the Owner at a rate of \$65.00 per hour.
- **Additional Maintenance Technician - \$55/hour**
On-site maintenance will be conducted and supervised primarily by the On-Site Maintenance Technician however, if additional daytime or after-hours maintenance is required, distinct of the On-Site Technician, an additional maintenance technician may be dispatched to the property at a cost to Owner of \$55.00 per hour including travel time.
- **Management Office/Facilities**
Owner will provide management office space available on-site with access to computer, telephone, communications, supplies, furniture etc. as required. If additional office supplies, furniture, computers, office telephone etc. are required they will be purchased directly by Owner or by Property Manager with approval of Owner and billed to Owner at cost with no mark-up.
- **Asset Manager**
Southern Real Estate will report directly to individuals of The Development Finance Initiative. The Development Finance Initiative will act as Asset Manager and liaison to the Owner (City of Kannapolis). The Asset Manager fees and compensation are subject to a separate agreement and not directly related to Management Agreement between Owner and Property Manager.
- **Bank Accounts**
As per the agreement, the Bank Accounts will be in the name of the Owner and controlled by the Property Manager. On or about the 15th of each month funds will be wired or otherwise distributed to Owner, less any amount required for accounts payable in the current month as well as a small "buffer" amount to be determined. If the income for any given month does not cover the expense amount for any given month, Property Manager will send a Fund Request which will be fulfilled as soon as possible by Owner to allow payment of aging expenses. Bank Account management is subject to change as required or otherwise agreed upon by Property Manager, Owner and Asset Manager.

Exhibit C:
PROPERTY DETAIL

Cabarrus County Tax Parcels:

56145052510000
56135935940000
56146002540000
56135999040000
56135965850000
56146040340000
56136938000000
56136927090000
56136904880000
56136913010000
56136902640000
56136958910000
56136933740000
56136932590000
56135864850000
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