

Part IV: Property Owner Expectations

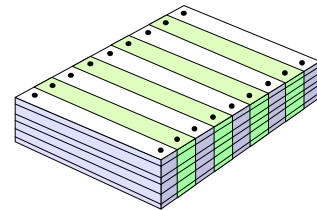
What You Can Expect from Recar & Associates

The purpose of this section is to present the benefits our property owners can expect to receive from Recar & Associates. In establishing a personal relationship with our customers, it is important that each party understands exactly what is expected of each other. Our primary objective is to attain the goals of our customers and their rental properties.

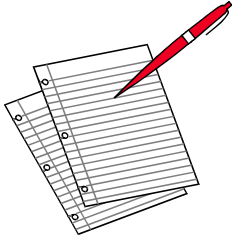
We believe that by familiarizing you with our administrative process of how we lease and manage your rental property, we can avoid surprises that could occur later on. **It is important that you realize that we will move forward with our administrative property management process as outlined herein, unless you otherwise direct us in writing.** Please review the following services that are automatically provided and instituted by Recar & Associates.

Leasing

- A. You can expect that we will place our attractive “For Lease” yard sign on your property, (if allowed) approximately during the last 30 days of occupancy, or immediately if you have just listed your rental home with us.
- B. You can expect that we will list your vacant property in the Austin Multiple Listing Service, the Residential Leasing Report, the Austin American Statesman or the Austin Chronicle in order to maximize your exposure to potential renters and/or other Austin Realtors.
- C. You can expect that all rental applications will be subjected to:
 1. A credit report on each adult rental applicant.
 2. An eviction search and public record scan.
 3. A verification of applicant’s former landlord references (3 years).
 4. A verification of applicant’s employment history (3 years).
 5. A verification of applicant’s income.
- D. You can expect that we will lease your property at or above the current market rent. We will not lease your property at a lower amount without first obtaining your permission.
- E. You can expect that we will either approve or disapprove applications based upon the above written criteria and in accordance with local and federal Fair Housing Laws. Owners may limit the number of occupants for a property or may elect not to accept co-signers, but that must be stipulated from the beginning when the property is listed in order to avoid accusation of discrimination. While we may discuss applications presented with our owners, we must comply with the above terms and make decisions for approval or non-approval based solely on said criteria.
- F. You can expect that once the rental application process is approved, we will complete and execute the Lease Agreement and give the residents possession of your rental home. We conduct a 20-30 minute New Tenant Orientation with at least one member of the household to review our policies and expectations.
- G. You can expect that we will provide the new tenants with a Move In Inventory and Condition Form for them to complete regarding the condition of the property when they take possession. We will then review the returned form and either agree with said condition or send the tenants a letter of non-concurrence on areas of discrepancy.
- H. You can expect to be notified by our company that your property has been leased. A copy of the Lease is available, once all parties have property executed it and the residents have taken possession.



Lease Renewals



- A. You can expect that we will attempt to renew the residents' Lease at least 75 days prior to the expiration of their Lease Agreement; tenants are required to give a 60-day Move-out Notice, so we have to get them terms well in advance of that time.
- B. You can expect that we will offer a renewal rate based upon the current market rates, with consideration being given to the tenants' performance and care of the property and the costs involved if the property were to become vacant (marketing and makeready maintenance). We will not renew the lease at a lower rate amount without your specific permission to do so.
- C. You can expect that we will automatically renew the residents Lease Agreement, or re-rent the property to new residents, unless we have a written directive from you not to renew the lease or re-rent the property at lease NINETY (90) days prior to the expiration of the current Lease.

Rent Collections & Delinquencies

At Recar & Associates, we do not tolerate the delinquent payment of rents. We are careful to explain this policy to new residents in order to avoid any misunderstanding that might arise later. While we understand that circumstantial situations arise, we are firm in our policy and will notify you of any situations that could possibly cause a delay in your monthly disbursement.

You can expect that we will act, based upon the following collections schedule:



- All rents are due on the 1st of each month.
- All residents who have not paid by the 4th of each month receive our first notice, a friendly reminder that we haven't received their rent. We also attempt to reach them by phone.
- Any remaining residents who have not remitted their rents by the 9th of the month will be served a Notice to Vacate, which is required prior to commencing with the eviction process. All owners are contacted prior to us filing an eviction.

Rent Processing & Accounting

- A. You can expect to receive a monthly computerized report showing all income and expenses for your rental property.
- B. You can expect to receive a 1099 statement for your tax purposes of reporting taxable income.
- C. You can expect the monthly statements and disbursements to be mailed between the 10th and 15th of the same month in which the rent is collected (ie. May's rent is reported and disbursed in May).
- D. You can expect that we will make mortgage payments and/or homeowners association payments, if you so direct and provided that adequate funds are available in your property account. You can expect that we will not make these payments if adequate funds are not available in your account. We strongly recommend that we establish a reserve in your account equal to a month's payment in order to prevent delayed payments in the event the tenant is late with their payment or in the event of a vacancy.
- E. You can expect that in the last month of a tenants occupancy, we will hold funds in your account in order to protect you by ensuring that adequate funds are available to make your rental home "rent-ready", thereby ensuring faster turnaround and less vacancy time. Additional funds needed for makeready will be required prior to dispatch.

Laws Regarding Locking Devices

When we begin management of a new account, Recar & Associates will schedule a locksmith to visit the property to verify that the property meets the Texas statutory requirements for locking devices. Essentially, the law requires there to be a deadbolt lock, a keyless deadbolt (only opens from the inside), and a peephole on all exterior doors and a pin lock, “charlie bar” and/or factory latch (two are required) on sliding glass doors. Exterior doors also include doors from the interior house leading to the garage. For liability reasons, all hollow-core doors should be replaced with solid-core doors. When you rent your property to tenants, there is a higher degree of protection required of landlords than is required for a landlord living in the property themselves. If you have previously paid a locksmith to install these required locking devices, please notify Recar & Associates immediately and submit a copy of that service invoice so we’ll have it in your file.

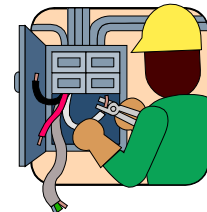
The locksmith will automatically install whatever locking devices are required to bring the property to meet the codes. If the devices have not been previously installed, the cost will generally run between \$200-300; subsequent locksmith service should only be required each time a tenant moves out of the property and should only require rekeying of the locks (required by law). **Because this work is required by law, the cost is not subject to the maintenance limit in your management agreement!** At the time of code work, however, the locksmith will change any locking knob into a passage knob - this will lower all future rekeying costs!



Property Maintenance & Repairs

At Recar & Associates, we believe that rental homes must be properly maintained in order to preserve the value of the property and to maintain a positive relationship with the residents. Texas habitability laws also require landlords to comply with certain basic maintenance and repair items.

- A. You can expect that Recar & Associates will not effect a repair to your property in excess of \$150.00 (per item) without first obtaining your approval. NOTE: This excludes emergencies and repairs that are required by law (ie. major electrical or plumbing repairs that affect the health or safety of the tenant or property); we will always try to contact prior to dispatching any work of this nature that occurs during normal business hours.
- B. You can expect that if your property is vacant, we will institute minor maintenance and repair items (\$150.00 or less per item) necessary to improve the property’s appearance to prospective renters. Examples would include: lawn service, carpet cleaning, maid service, pool service, utilities, etc. In the event that any of these repairs were due to the former tenant, you can expect that we will deduct those expenses from their deposits. We will routinely contact you prior to the vacancy if more substantial work will be needed, so that we can get your approval on any bids and secure any needed funds prior to dispatch.
- C. You can expect that we will comply with Texas statutes and have the property rekeyed between tenants. Any additional locking devices required by law will be added. As a general policy, we normally change any locking doorknobs to passage knobs in order to reduce the costs of future rekeying.
- D. You can expect that we will only use repairmen, vendors and tradesmen who are properly licensed and insured to handle the type of work being performed on your property. While those vendors are sometimes a bit more expensive, you can be assured of quality workmanship and less liability resulting from substandard work or materials.
- E. You can expect to receive copies of the original invoices for all repairs on your property with your monthly statement.





Communications

At Recar & Associates, we believe that communication is the essential element in the success of our company. That is the underlying reason for the creation of this “Property Owners Handbook” and our “Residents Handbook” for all of our tenants.

In today’s business environment, no one can assume to know or read the mind of another, or be certain of their goals and objectives. Besides, we work with a lot of interesting clients and we take an interest in their jobs, family, hobbies...we take the time to really get to know our owners if that is mutually desired by that owner. To this end, we at Recar & Associates have gone to great lengths to be accessible to our clients.

You may communicate with us through the following venues:

A. By Phone @ (512) 345-9886

You can expect that our phones are answered by a live person between the hours of 8:45 AM – 5:15 PM Monday through Friday. After hours, our phones are answered by an automated system, which can direct calls to the appropriate voice mailbox and, in the event of a maintenance emergency, automatically pages the property manager on call.

B. By Fax @ (512) 345-2302

You can expect that our fax machine is on 24 hours a day, as many of our clients and property owners live overseas. This also expedites with applications when we are working with an out-of-state applicant.

C. By email: linda.west@recar-realtors.com

You can expect that we check our email daily, Monday through Friday. Each Associate and member of our management team also has their individual email address, so you can also send your messages directly to them at firstname.lastname@recar-realtors.com. We will respond to your correspondence as soon as possible – for urgent matters, please call the office directly (just in case someone is out of the office and not receiving your emails until their return).

**D. By U.S. Postal Service @ **8400 N. Mopac Expressway, Ste. #200
Austin, Texas 78759****

E. By World Wide Web Site @ www.recar-realtors.com

Conclusion

Thank you for taking your time to review our “Property Owners Handbook”! We believe it is time well spent, especially for our newer clients. We trust that your experience with our firm will continue to be a pleasant experience and look forward to working with you and your property in the future.

Please do not hesitate to contact us directly any time we may be of service!

Part V: Recar & Associates Management Referrals



Save money or make money by sending us business!

Did you know that we offer discounts to multiple property owners? Let us manage all of your properties and save even more.

We at Recar & Associates appreciate all business opportunities from all sources. If you know of an Austin area property owner in need of our professional property management services or someone who is looking for a great rental home in Austin, please let us know...We can save you money in your monthly fees!

Simply phone, fax or email us with your referral.
All referral fees or discounts are paid from first rents collected.

Thank you for your business and referrals!



Your Monthly Owner Statement: *Step By Step Understanding*



The best way to approach your Monthly Owner Statement is to think of it like a bank statement. It tells you what your balance was at the end of the previous month, what was added to the account to increase the balance, what was deducted to decrease the balance, and what the ending balance is for the current month. If you read it line by line, it's easy to interpret! Our property management software takes into account that most single-family owners are not high-level accountants, so labels are kept simple; on the other hand, it also provides measurements of cash flow to those of you who like that detail.

This explanation is for “the rest of us” and will show you what’s important to a good, basic understanding of the monthly accounting (and those things you can just ignore if you’re not a “number cruncher”!).

Beginning Balance – this is the starting point for the month! It should correspond with the Ending Balance from the previous month...if it doesn't, something has been posted between accounting cycles. Please contact our Bookkeeper should you ever see this occur.

The Property Address – for those of you who have multiple properties, the activity of each property will be separated out individually so that you can see what income and expenses each property had for the month.

Increases/Decreases – These columns show the increases and decreases to your account. Normally, an increase will be income to you and a decrease will be an expense amount. However, if an adjustment is made to a line, it will also show as an increase or decrease according to whatever the original entry was; when adjustments or corrections have to be made, they are posted to the same category as the original posting so that your year-to-date total will reflect the true adjusted total.

Within each column, the software will total up the increases and decreases for each property and will list a corresponding balance. These are cash flow measurements...ignore them!

Other Transactions (No Unit Specified)

This is your Equity section (for you accounting types). If you send money to us for repairs or expenses, the funds will appear in this section as “Owner Contribution”. Your monthly disbursement (whatever’s left over from rents after expenses are deducted) will appear in the section as “Owner Disbursement”; this will correspond with your check or ACH transfer amount, depending on the payment method you signed up for.

Net Balance Change – Another cash flow measurement...ignore it!

Ending Balance – this is the balance, which is still being held in your account for your owner reserve. If additional funds were authorized by you to be held for repairs, the ending balance will be higher than your normal reserve amount.

YEAR TO DATE SUMMARY

The year-to-date summary shows both the current month’s recap, as well as the cumulative totals for each category as we go through the year. The totals are combined *by owner* (not broken down by property); for owners with multiple properties, we can provide another report at year end which will show yearly totals by property for your tax reporting.

TENANT BALANCE SUMMARY

The last section is a recap which shows current and pending tenant activity, and will show tenants who are “on notice” to move, previous tenants who still owe a balance, and/or current tenant rent amounts and balances due.

Please feel free to contact us if you have questions! We review each statement and try to look at them from an owner’s standpoint to answer questions prior to sending, but we are available to help and give more information should you need it.

SAMPLE OWNER STATEMENT

RASCO #2 LLC DBA RECAR & ASSOCIATES
8400 N. Mopac Expressway Suite 200
Austin, TX 78759

Albert Owner
1000 Main Street
City, State 00000

Monthly Owner Statement

January 1, 2003 to January 31, 2003

Date	Description	Increases	Decreases	Balance
1/1/2003	Beginning Balance			\$150.00
	6208 Amber Pass			
	Management Fee		\$103.50	
	Plumbing		\$90.00	
	Rent	\$1,150.00		
	Total 6208 Amber Pass	\$1,150.00	\$193.50	\$956.50
	Other Transactions (No Unit Specified)			
	Owner Disbursement		\$956.50	
	Total Other Transactions (No Unit Specified)	\$0.00	\$956.50	(\$956.50)
	Net Balance Change	\$1,150.00	\$1,150.00	\$0.00
1/31/2003	Ending Balance			\$150.00

SAMPLE OWNER STATEMENT – PAGE 2

YEAR TO DATE SUMMARY

Cash Accounting Year Starts January 1, 2003

	Current	Year To Date	Balance
Beginning Balance on 1/1/2003			\$150.00
INCOME			
Taxable Income			
Rent	\$1,150.00	\$1,150.00	
Total Taxable Income	\$1,150.00	\$1,150.00	
TOTAL INCOME	\$1,150.00	\$1,150.00	
EXPENSES			
Operating Expenses			
Management Fee	\$103.50	\$103.50	
Total Operating Expenses	\$103.50	\$103.50	
Repairs & Maintenance			
Plumbing	\$90.00	\$90.00	
Total Repairs & Maintenance	\$90.00	\$90.00	
TOTAL EXPENSES	\$193.50	\$193.50	
NET INCOME (LOSS)	\$956.50	\$956.50	
ADJUSTMENTS			
Owner Disbursement	(\$956.50)	(\$956.50)	
TOTAL ADJUSTMENTS	(\$956.50)	(\$956.50)	
NET CASH FLOW	\$0.00	\$0.00	
Ending Balance on 1/31/2003			\$150.00

Unit	Tenant	Rent	Balance Due
Units With Transaction Activity			
6208 Amber Pass	Tenant Name (Current)	\$1,150.00	\$0.00