



Owner

Handbook

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The purpose of this manual is to communicate the policies, procedures, and practices that dictate how we intend to manage your property. It will serve as your guide to our management practices. Properly used, this document will enhance communication between us and make our ongoing relationship stronger and more transparent. The Owner's Handbook will be updated annually as we work to keep up with changes in the laws and economics that affect our business practices.

General Information

A. Welcome from the Owner

Thank you for choosing RentWerx to lease and manage your rental property. We appreciate your vote of confidence and will work hard to prove you made the right decision. This handbook is just one of the ways we've developed over the years to set your expectations for our relationship, and communicate to our owners how we manage their property. We look forward to assisting you in every way possible and a long relationship in serving your needs.

B. Who we are

RentWerx is a full service Real Estate Brokerage focusing on Property Management, Leasing, and Sales. We have been licensed and conducting business since 2003.

C. Company byline: Exceeding your expectations

Striving to exceed your expectations is a big challenge as some set the bar pretty high. We get it, and we will push hard not to disappoint you. When we do let someone down, it's usually because we did a bad job at properly setting expectations. One way or the other, we're out to make you exceedingly happy with us.

D. Motto for owners: No surprises

Our motto is simple - NO SURPRISES! We strive to keep our owners informed of everything going on in our business, and with their properties. This means that we strive to inform you in advance of what fees you'll pay, what outside costs you'll experience, and when we're dealing with a maintenance request. There's nothing more disheartening than opening your monthly statement and seeing a disbursement from us for less than you expected. We'll work hard to keep that from happening and let our motto "NO SURPRISES" drive our behavior.

E. Mission statement: Dedicated to worry-free service

Our mission is to handle your property in the most professional manner possible in all aspects, to serve our Investors in helping them acquire properties that perform as expected; our Clients by taking care of their properties as if they were our own; our Residents by providing them with a pleasant rental experience; and our Staff by constantly training them and helping them reach their highest professional potential.

F. RentWerx – Core Values

Our Core Values are statements that we designed to measure ourselves by. We hold out these values to ourselves and to our clients to make sure we measure everything we say and print about ourselves.

Customer First - We take care of our clients when they need us not when it's convenient for us.

Accountable - We correct our mistakes, always honest, do what's right.

Team Player - Working together to the shared vision of the company. Takes ownership of our role, communicates well, leads.

Continuous Improvement - Learning never stops, setting new standards, improving processes, people & systems.

Get Shit Done – Doing what we need to do for results! No excuses, just action!

1. We commit that our marketing material and the information on our web site will accurately represent who we are, what we've accomplished and what we do; no exaggerations.
2. We will hire only the best staff, consistently train them and work at moving them to the best possible position of service to our customers.
3. We will always treat customers, vendors, and each other with courtesy, respect and professionalism.
4. We are committed to change — to keep up with the changing marketplace and changing technology without sacrificing our most important priority - delivering great customer service.
5. We are committed to providing our residents with a clean and safe place to live, regardless of the rent, and put their safety at the top of our list of priorities.
6. We will not tolerate unethical behavior by our staff or vendors.
7. We will follow the laws (and codes of ethics) that regulate our industry.
8. We will believe in our staff and create a safe work environment that fosters respect and opportunity for personal and professional growth.
9. We will constantly strive to protect our owners from the liabilities of owning rental properties.
10. We will strive to be a leader in the property management industry in San Antonio, Austin, and the state of Texas.

G. Code of Ethics

We are active members of the National Association of Residential Property Managers (NARPM.org), the National Association of Realtors (realtor.org), the Texas Association of Realtors (texasrealtors.com), and the San Antonio Board of Realtors (SABOR.com). Each one of them has a code of ethics that we review regularly and measure ourselves by. You can review them at your leisure by going to each of their web sites.

H. Licenses and Affiliations

We are active members of the National Association of Residential Property Managers (narpm.org), the National Association of Realtors (realtor.org), the Texas Association of Realtors (texasrealtors.com), and the San Antonio Board of Realtors (sabor.com)

I. Industry Designations

Every industry has its trade association who offer designations for their members to demonstrate their knowledge, professionalism and commitment to the industry. Property Management is no exception. The National Association of Residential Property Managers is our trade association and is dedicated to training the professional management community. NARPM offers two personal designations including the Residential Management Professional (RMP) and Master Property Manager (MPM). In addition, there are numerous real estate designations that are common in our company to include, the ABR, AHWD, C2EX, ePRO, CRS, GRI, MRP, PSA, SRS, TRLS, TRPM, and Texas Real Estate Broker's License.

J. Company Footprint

RentWerx manages homes in the San Antonio area to include Alamo Ranch, Boerne, Bulverde, Canyon Lake, Cibolo, Converse, Helotes, Live Oak, New Braunfels, San Antonio, Schertz, Seguin, Shavano Park, Spring Branch, Stone Oak, and Universal City.

Austin area to include Austin, Bee Cave, Buda, Cedar Park, Creedmoor, Del Valle, Garfield, Georgetown, Hudson Bend, Jonestown, Kyle, Lago Vista, Lakeway, Leander, Manor, Pflugerville, Round Rock, San Marcos, Spicewood, Sunset Valley, and West Lake Hills.

K. Top 5 Reasons People Choose RentWerx

1. Owner Point of Contact

With our Portfolio Management design, we have intentionally formulated a system that will give the Landlord Home Owner the best service possible by knowing WHO is in charge of handling the management of their home. Your assigned Portfolio Manager and their dedicated team Will be your point of contact. You will be contacting the team that is the most knowledgeable regarding your property/properties.

2. Management Fees

RentWerx offers simple, transparent and straightforward plans for our owners.

3. Top Notch Marketing to Include Video Marketing!

Marketing your home on a variety of internet websites is the best way to get residents through the door. When you market your home with RentWerx, we will list your home on the San Antonio & Austin Multiple Listing Service (MLS). In doing this, your home will get the absolute most exposure because of all the mirror websites that take information directly from the San Antonio & Austin MLS and adding your home onto their site maximizing exposure and reach to your next resident.

The thing that will set RentWerx apart from other property managers is our use of top-notch video marketing and post it through YouTube with the right keywords for more exposure. The end result of this effort is we get numerous applications from out of state, out of country residents who have not even seen the home in person!

4. Electronic Disbursements

Collecting rent when it's due, and disbursing it to owners quickly, is one of our highest priorities. Through our system of online banking and internet software, we disburse funds (and financial statements) to the owner electronically each month. Our On Time guarantee is designed to ensure that property owners receive their rental proceeds promptly between the 10th and 12th of each month. While we strive for

consistency, we acknowledge that holiday schedules can occasionally cause minor delays, but rest assured, we stand behind our commitment to delivering your funds promptly when residents pay on time.

5. In-House Maintenance Service with 24/7 Capabilities

In addition to your portfolio management team, you are assigned to a Maintenance Coordinator, who is responsible for handling all of the work orders that come through for your property, with a wide range of preferred vendors on our network enrolled on our maintenance system we ensure that you are getting the best price on the market. This saves the owner money, time and headaches equaling more satisfied residents.

L. Communicating with RentWerx

San Antonio

Address: 3002 Napier Park #101, Shavano Parko, TX 78231

Office: 210.497.8686

Austin

Address: 14205 N Mopac Expy, Ste 500, Austin, TX 78728

Office: 512.425.4013

Website: www.rentwerx.com

M. Technology We Use

RentWerx has embraced many technological tools to help make us more efficient and enable us to connect with our clients, residents, vendors, staff and colleagues in the business. This changes quite often, but here is a sampling of what we use today.

1. Web-Based Property Management Software

We use RENTVINE – an internet based property management software system endorsed by the National Association of Residential Property Managers (NARPM).

2. Resident Portal

Residents also can view their payment records, current balances, make payments, review documents, give notice to vacate, make comments, submit repair requests, and leave a forwarding address on their portal 24/7. Good software makes all this simple and affordable.

3. Web-Based Property Management Files

Our property management software, in conjunction with several outside sources such as OneDrive and YouTube, allow us to have off site backup for all pictures, video, and files.

4. Web-Based Phone System

To drive efficiency in our phone systems we use a web-based phone system that works as a cloud based VOIP (voice over internet protocol) phone system. It allows much more flexibility, functionality.

5. RentWerx Website – www.rentwerx.com

Websites are not just a tool to communicate with the public; they've become the face of the company. We use ours extensively to attract new customers as well as to serve our existing clients and residents. We post as much information as possible to our website for easy reference.

Management Agreement and Fees

The foundation of our relationship is the management agreement you executed before you came on board with RentWerx. If we can't agree on something during our relationship, we will all rely on these documents to help us sort things out. An expansion of our relationship is outlined in more detail in this Owner Handbook.

A. Management Fee

The biggest cost you'll incur in the management process is in getting the property rented. It requires a lot of manpower, advertising, application processing systems, and move-in procedures. Our business model offers simple-straight forward and stress-free full service property management designed to work with the owner's desires for their level of services provided. We offer two plans, one is our Traditional Plan at 10% Monthly Management Fee and the second is our Multiple Property Owner plan at a flat fee of \$95 Monthly Management Fee, for owner that have 4 or more properties under RentWerx. This fee pays RentWerx for the day-to-day routine of answering phones; handling maintenance, lease enforcement, HOA complaints, rent collection, monthly reporting, accounting for resident charges, trust account management and handling emergencies.

B. Leasing Fee

This fee covers a series of services to find the best residents the market has to offer, including: professional photos, video tour, marketing on several websites, scheduling showings, over the weekend phone assistance to potential residents, handling applications, screening applicants, and preparation of the lease agreement.

C. Renewal Fee

Each time a resident renews or extends their lease agreement, RentWerx will charge a Renewal Commission of \$275. This charge will be paid the following month after the extended lease agreement has been executed.

D. Early Termination Fee

If we've started marketing the property, posting it on rental web sites and putting signs and lockboxes on the property, we've already spent some real time and money. If you terminate the agreement with RentWerx before we have a chance to lease the home, the management agreement calls for a \$500 marketing cancellation fee to recoup those costs.

If an owner requests to terminate our business relationship in the middle of a tenancy, refer to the management agreement for further details.

E. Charges for Tasks Outside Our "Scope of Service"

We have an additional document detailing the services covered by the fees you pay and the extra charges for certain services. The one-time management fee does not include tasks such as meeting with your HOA, retrieving records from five years ago, meeting your appraiser at the property, etc. Owners frequently request us to visit the property for various reasons. While we are willing to accommodate these unscheduled, owner-requested visits, please note that we incur costs for these services, which will be passed on to the owner. Given the challenging traffic conditions in San Antonio and Austin, these "short trips" typically take two to three hours and involve additional expenses. **See addendum at the end of this handbook for details.**

Housekeeping Documents

Below is a list of other documents you signed and their descriptions.

A. Lead-Based Paint Laws

In April of 2010, the EPA changed the rules for anyone doing repairs, painting and basic maintenance of homes built before 1978. Their new law has terms like "one gram of lead, jail time, fines," and other words that make property managers and contractors really nervous. Before anyone disturbs six square feet of painted surface on a property built before 1978, they are required to have a Lead Paint Inspection done to assure that there is no lead-based paint. Local handymen, contractors and even pickup truck workers understand the consequences of working on these homes without having proper testing done first. You are paying us to know and follow the law so that none of us ends up talking to federal officers about how we handled maintenance on your property. We intend to do it by the book and keep everyone safe. If your property was built before 1978, please inform RentWerx so the proper disclosures can be put into place.

B. Duties of the Owner and Manager

Throughout the management agreement, RentWerx duties to the owner are laid out, as the owner's duties to RentWerx, as well. Here is a brief outline.

Duties of RentWerx to the Owner:

1. Maintain corporate offices, staff, website, escrow accounts, phone and email systems.
2. Maintain appropriate licenses and trust accounts for owner's and resident's funds, as required by the Texas Real Estate Commission, and maintain said records for three years.
3. Maintain insurance to include general liability, and errors and omissions.

4. Represent the owner exclusively unless owner gives written authorization to the contrary, such as acting as an intermediary in selling their home.
5. Maintain qualified staff with experience and specialized training in managing residential rental properties.
6. Provide owner with insight and advice regarding the rental market, help with setting asking rent, and help with getting the property rent-ready.
7. Market owner's property for rent; put out signs and install lockboxes; post in the San Antonio & Austin MLS, as well as local and national web-hosting sites.
8. Maintain licensed leasing staff to respond to callers and show properties.
9. Receive in resident applications, pull credit history, employment and residency records, eviction reports (along with other background information) and use good judgment in the qualifying/approving/denying of applicants.
10. Maintain accurate accounting systems in place to know where all deposits are held, where all owner disbursements have gone, and be able to provide monthly statements to all owners.
11. Maintain a maintenance response system to take requests from residents requiring maintenance.
12. Manage the property for the owner, handling tasks to include the execution, renewal, default, and reinstatement of leases; collecting rent; maintaining the property and making maintenance records available for owner review.
13. Maintain owner's escrow account records, including receiving and recording receipt of rents, handling owner advances, paying expenses on the property, paying vendors and managing emergency situations, distributing collected funds to owner and providing monthly owner financial reports.
14. Manage the eviction process, including filing with the county, negotiating consent agreements, coordinating court appearances, purchasing writs

of possession and overseeing the removal of the resident's possessions from the property on behalf of the owner and at his expense.

15. Manage normal maintenance breakdowns as part of the management fees and managing rehab, renovations and restorations when authorized by owner.
16. Complete a move-out inspection when the resident vacates the property, and charge the resident for damages above normal wear and tear as described in the lease, the Texas Property Code, and consistent with industry standards.
17. Only initiate legal actions on owner's behalf with owner's permission, except those related to collecting rent and evicting residents over rent collection.
18. Refund owner's escrow funds within thirty (30) days of termination of the agreement and consistent with Texas Property Code.

Duties of Owner to RentWerx:

1. Warrant to RentWerx that all owners with rights in the property have executed the management agreement.
2. Maintain regular communication with RentWerx Properties and respond to inquiries and requests for authorizations.
3. Keep loan payments, property taxes, insurance, and HOA dues current.
4. Investigate and communicate to RentWerx any HOA rules governing leasing in the community where the property is located, as well as provide RentWerx with any leasing requirements of said HOA.
5. Pay RentWerx the fees agreed to in the agreement and all governing documents associated with that agreement.
6. Avoid discrimination of any kind regarding the property while under agreement with RentWerx.
7. We recommend avoiding all contact with the resident while RentWerx is managing the property.

8. Pay (reimburse RentWerx) for maintenance on the property necessary to maintain habitability, utilities, safety, and health of the resident.
9. Fund, in advance, any repair over \$300 and maintain a minimum owner reserve.
10. Maintain landlord insurance on property naming RentWerx as an additional insured party.
11. Keep plumbing, electrical, HVAC systems, appliances and improvements left on the property in normal operating condition during the term of the agreement.
12. Pay attorney and court costs that arise in the process of evicting residents, but no other legal actions, initiated by the Agent, without owner's first giving permission to file such action.

C. Owner's Insurance

At all times during this agreement while this home is under management, Owner must maintain in effect a public liability insurance policy (homeowner's insurance) that covers losses to the property. This will include an amount equal to \$500,000 or more in a General Liability Limit also containing endorsements showing the insuring party is aware that the home will be leased to prospective residents. **It is required that the Owner name RentWerx as "Additionally Insured" or "Additionally Interest" on their Owner's Insurance Policy.** RentWerx will charge an Owner's Insurance Surcharge as long as the owner doesn't provide with the necessary insurance documentation. Refer to the management agreement for further details. If the insurance lapses, RentWerx will charge a \$295 fee per occurrence.

D. HOA Issues

As a whole, home owner's associations (HOAs) have an issue with residents and tend to create a lot of heartburn for owners and landlords when they move them into their communities. If owners get behind on their

dues, or forget to tell us the rules for leasing in their community, HOAs think nothing of booting cars, suing residents for the rent until the owners' dues are caught up, turning off utility services, hauling off their cars and evicting them over rule violations. Although we'll handle the process, you'll need to stay in the loop as HOAs don't always communicate very well with third parties (property managers and residents) regarding their actions. Since they can fine you and lien the title of your property over these issues, you'll need to work with us to resolve these challenges. This is one of the issues you can't turn over to your property manager entirely.

E. Amenity Passes, Gate Keys and Pool Keys

We often rent properties in communities that require gate passes, codes, keys and permission from the HOA for access to amenities and entry points. Occasionally, an owner will ask us to call the HOA on their behalf and find out about these restrictions. HOAs typically don't communicate very well with third parties (property managers and residents) and often refuse to speak to anyone but the owner regarding these policies. The HOA, not RentWerx, is in control of the community and we, like you, are beholden to them. It is imperative that you get permission from the HOA to rent your property and provide us with keys, passes and codes for us before we lease the property. If you don't do this in advance of our leasing the property, be prepared for battles with your HOA and increased expenses (time and labor) in resolving the resulting issues later.

F. Personal Property

Owners often leave personal belongings (patio furniture, microwaves, wall mirrors, tables, bar stools, lawn mowers, grills, ladders, etc.) behind when they leave the property, thinking it will be there when they return. It seldom is. Residents often forget what is not their own when they move out. You should remove everything when leaving.

G. LLC, Land Trust and Corporate Affidavits

If you hold title in a corporation, limited liability company or land trust you'll have some special documents to execute to address who's authorized to act, receive money, approve maintenance and terminate leases on the property. We need to make sure that we know who's who so we are operating under the right authority as the manager.

H. Hot Tubs

When hot tubs are not managed properly, motors burn out and water gets green. They can create a hazardous environment for the resident. We'll manage them with a maintenance contract, but the best way to deal with them is to shut them down before you put the property on the rental market.

I. Owner's W-9 Form

We must report to the IRS (using a 1099 form) the gross rent we collected on your behalf and you must report the expenses of interest, insurance, repairs and other property expenses on Schedule E of your personal tax return. We'll send you (and the IRS) a 1099 reporting the gross rent we received from a resident by the end of January every year, as required by the IRS. Owners must cooperate by getting the form completed or the IRS, by law, has ordered us to withhold rental income from any owner that has not completed it.

Marketing Of Your Home

RentWerx has a very good track record in renting out homes. It's not secret – good marketing is the key to attract the best residents. We have a very good grasp of what advertising it takes to get the job done quickly.

A. Pre-Marketing

First impressions are critical when people are selecting a place to live. Utilities must be on, repairs must be complete (or almost complete) and the property must be clean before we start marketing a property. It is aggravating to drive an hour to a property with a prospective resident only to find it dirty, smelly and unsightly. Residents get turned off by houses that are not move-in-ready and often won't return to see them a second time. Get the property in rentable condition, and then the marketing can begin.

1. Rent-Ready Issues

"Go ahead and start marketing the property ... I'll have the rehab done before you get a resident" just doesn't work. We often rent houses in a few days and trying to move residents into a half-ready home is painful. Get it ready and we'll market it, but we'll be reluctant to start too early.

2. Setting the Rent

We lease numerous homes each month. We know the market and can find lots of rental comps to drive the asking rent. Although it's your call, we'll advise you and report activity. You'll set the rent (and make the mortgage payment until it's occupied) so we're on the path to getting it rented quickly.

B. Lockboxes and Signs

Lockboxes allow all agents in the market and prospective residents to view homes 24/7. We'll install a high-quality lockbox on the front door (or nearby) and start showing the property as soon as it's rent-ready. If your community requires a special sign, the cost of getting it made (and delivered) will be passed along to you. If you don't alert us about special signs required by your HOA and we get fined for using our own, you will absorb the charges.

C. Utilities

Owners will need to keep services on in their name until the property is rented, and if possible between residents. You can and should set up "continuous service" with each utility company so service is never interrupted. We'll let you know when to get utilities turned on and off. Utilities must be on before we start marketing a property. If RentWerx is obligated to turn on utilities on behalf of the Owner, a processing fee will be charged.

D. Keys

We can't express how important it is for you to provide RentWerx all applicable keys: keys to the property, pool, entry gate, clubhouse, mailbox, etc. It is our job to make your property stand out from all the others the potential resident will be considering, and often the decision comes down to the amenities. To put it bluntly, we can't sell what we can't show. We will work diligently to rent your property, and to do that we must have all the keys. We will re-key the property just before a resident moves in. The resident will pay the any requested key change if so desired.

E. Keyless Deadbolts

In Texas, state property code requires all external doors to have a third locking mechanism. The cleanest and most effective is a keyless deadbolt system. RentWerx will have one installed on your home at owner cost before a new resident moves in.

F. Videos

Videos, like digital photos, can help show the home as well as document the condition of the property prior to move-in and substantiate charges against the resident after move-out. We have found that videos are better than pictures and help us defend charges for property damages in court. We'll take videos for marketing, move-in and move-out at no additional cost to you. Many of our residents have rented our properties without personally visiting them because they viewed our virtual tour on YouTube.

G. Marketing and Showing

We have full-time agents taking calls from prospective residents and assisting on scheduling showings seven days a week. We use different methods, like the MLS, popular third-party listing websites, our own website, offering different showing options for our prospect residents. Most of our homes are leased through our self-access showing system, and another portion are homes leased because an agent went to show the property in person using the MLS and ShowingTime systems.

Screening Applicants

RentWerx has screening residents as one of the most important aspects in good property management. As much as we think we have it figured out, applicants are still teaching us things every day. Identity theft is rampant, and it's easy to miss something even when you're watching for it. It's not a cut and dry system and takes a lot of experience. You have the benefit of our experience because we're not learning on your dime. To conform to the Fair Credit Reporting Act and the Red Flag Rules (regarding privacy of personal information), we keep this information locked up and confidential for three years.

A. Background Checks

We pull credit, employment history, residency history, foreclosure, bankruptcy, eviction reports, sex offender reports and more. There is no perfect system to qualify applicants, but we take advantage of all the information we can get our hands on. Screening applicants is often a balancing act between the information we gather about them and the money they are willing to put down (security deposit) to secure their fulfillment of the promises in the lease. In some instances, income is king and extra deposits can buy a lot of forgiveness.

B. Application Contingencies and Owner Approval

If the applicant has special requests, offers less than asking rent, has multiple animals, or presents any issues outside of the norm, you will be contacted for final approval. We work hard not to exceed our authority when it comes to this or any other matter during our leasing and management of the property.

C. Negotiating the Lease

Our custom lease agreement is a very pro-landlord document. Owners will be involved in negotiating special stipulations for things such as finishing a fence, putting in a refrigerator, having an 18-month lease or allowing

multiple animals. Some issues need your input, but most of the time – it can or will be handled on our end.

D. Cosigners

Good credit is required to secure the resident's promises in a lease but it doesn't have to be the occupant's credit. We get lots of folks who have their parents, employers, caregivers and counselors guarantee the lease and we've had great success enforcing cosigner agreements. The cosigner completes an application and is added into the lease agreement.

E. Security Deposits

RentWerx requires all approved applicants to pay a refundable Security Deposit at application approval in the amount of One Times of One Month's Rent + \$200.

F. 24-Month Leases

Long leases can save you tons of money by preventing expensive vacancies. You'll be a happy camper if we can keep a resident in your home for 10 years. We often get requests from applicants to be allowed to execute a two to three year lease agreement. Some owners plan to move back into their properties, so we won't allow extended leases (anything over 12 months) without your permission. Please let us know in advance if you approve an extended lease so we're not trying to contact you during the approval process.

G. Risk Mitigation – See our Included Screening Criteria Disclosure

Lease Document Preparation

RentWerx will prepare all of the lease documentation for all parties to review. Residents will sign several documents before they take possession of your property. The lease is the primary document, but there will also be an animal addendum, move out checklist, policies and procedures, lead paint disclosure, pool maintenance addendum and documents that cover property visits, resident's insurance, smoke detectors and more.

Managing the Move-In

When a tenant moves into a home for the first time, there are often "issues" during the first week. Our walk-through is done prior to the tenant moving in. We provide the tenant with a powerful property inspection solution upon move in, and they are allowed to document how the property was upon their move in, they are required to return this Inventory and Condition form to us within 5 days.

Move-In Orientation with Manager Services:

All new tenants at lease signing will pay a one-time Move-In Orientation Fee of \$125.00. Within the first three (3) business days of the tenant move in, arrangements will be made for a walk through inspection and home orientation with Manager Services.

The Move-In Orientation will be arranged and conducted with an inspection technician from Manager Services (ManagerServices.pro) A representative from RentWerx will not be present during the Move-In Orientation. Any requested work orders discovered during this process by the tenant and inspector will be submitted separately.

The inspector will provide the tenant with a brief orientation and instruct them on basic home maintenance, including changing air filters, unclogging a garbage disposal, water cut-offs, smoke alarms, fuse & breaker box locations, and GFCI resets. The written report will include interior and exterior photos. The exterior will

be documented with photos of all four sides of the home, the roof, any exterior equipment, and yard. Interior photos will be of each room, included equipment, any damaged or defective conditions, and an overall view of most areas. A copy of this report will be sent to the tenant and RentWerx for record. This Move- In Orientation Inspection does not take the place of the required Inventory and Condition Form made available for the tenant to complete at Lease Signing. OPTIONAL FULL INSPECTION: RentWerx recommends Scott's Inspections. (www.ScottsInspections.com) as a Texas Real Estate Commission licensed inspection company. They typically conduct inspections on a home for purchase to include a full mechanical inspection of a home from top to bottom. This type of inspection is often required by all lenders during the sale of a home and is an option for all incoming tenants to purchase through Scott's Inspections. Mention scheduling this expanded level of inspection through RentWerx San Antonio & Austin and receive a 5% discount.

A. Re-Key Policy

Texas Property Code states that all locks will be changed anytime a new tenant takes over a home. It is our policy to complete this task prior to the tenant even occupying the home. Copies of these keys will be kept at our office in a secured location. This is an owner expense and will usually cost between \$100 to \$500 depending on the number of exterior doors that must be rekeyed. Texas law prohibits this charge to be passed on to the tenant in normal circumstances. The home may also need additional security measures installed to meet Texas Property Code.

B. Utilities

Marketing a property without the utilities on is an impossible task. We've tried it many times and always end up at the same place, frustrated and kicking ourselves for trying it. When utilities are off at move-in, there are repercussions and expenses the owner probably didn't anticipate. **Please make sure the utilities are left on through the move-in.**

C. Uncompleted Repairs / Contingencies

One of the most challenging situations we encounter during tenant move-ins is discovering that the property is not ready. This often occurs because owners or their vendors fail to complete work or clean up as promised, leading to significant frustration and dissatisfaction. Tenants typically arrive with their moving vans and cannot afford to clean the home themselves before moving in. To mitigate this issue, we take preventive measures, including a pre-move-in wipe down (see E below), but these efforts are not always sufficient.

When a property is not ready or contingencies are not met as agreed, we are frequently forced to take urgent and costly actions. Moving into a dirty home or one with unfinished repairs can negatively impact tenant relations for the duration of the lease. Although we strive to rectify the situation promptly, this often involves substantial expenses due to the need for immediate solutions to retain the tenant. It is important to note that expedited services, whether for shipping packages or engaging contractors and cleaners at short notice, incur higher costs. In such scenarios, we prioritize resolving the issue promptly and address the associated costs afterward.

D. Moving in Before the Rent Starts

We do everything we can to get the tenant to take occupancy as soon as possible even before the actual rent start date. This is good for the owner, so we do it without prorating the rent. Here's why. An occupied home is less at risk of being vandalized; the tenant takes over lawn care at move in; they pick up utility costs from the date of move in and there is less of a chance of them changing their mind and not taking the home. The sooner we can get them in the sooner we have their security deposit and locked down. We often allow (and encourage) the tenant to take occupancy before the rent begins.

E. Pre-Move-in Wipe Down

For many years, we have encountered issues with properties not being clean and ready for occupancy at the time of tenant move-in. Vacant homes often accumulate dead bugs, rancid toilets, cobwebs, burnt-out light bulbs, and remnants left by vendors, resulting in a stale and musty environment. Tenants expect a pristine, hotel-like cleanliness upon moving in, regardless of whether this expectation is realistic. Failure to meet this standard can lead to significant tenant dissatisfaction, as they strongly remember a negative move-in experience throughout their tenancy.

To address this issue, we offer a pre-move-in cleaning service to ensure properties are thoroughly cleaned just before the tenant's arrival. With the property owner's approval, this service can be scheduled one or two days prior to the tenant's move-in date. Similar to the re-keying process, this cleaning ensures the property is in optimal condition. Pricing varies depending on the work required.

Owner Cleaning Challenges: Frequently we have owners tell us that they will clean the property before move-in and we don't need to order the previously mentioned wipe down. Everyone wants to save money and the DIY method is often preferred. Here's the problem: everyone has a different idea of what clean is and people are satisfied with different levels of clean. To some, cleaning once a month is good enough while others clean every day. Since we can't attempt to match tenants with owners of the same cleaning standards, we have to use a neutral standard we can all agree with. That standard is "hotel clean." When you check into a hotel room and find dirty mirrors, toothpaste on the counter, Q-tips in the waste basket, and mud on the floors, you demand another room, and so you should. "Hotel clean" means leaving no evidence of the previous occupant.

If you tell us you'll do the cleaning and the property is not "hotel clean" when we arrive to do the move-in inspection, we'll call a crew to make it right

before we turn it over to the tenant. Also, if we promised the tenant a move-in on Saturday and the home isn't ready, we may have to put the tenant up in a hotel on your dime until the cleaners can get there on Monday. Most tenants arrive to the move-in inspection with their truck full of stuff and movers ready to set up house.

Having the property clean and ready for the move-in is one of our highest priorities and should be yours as well. The move-in can be a pleasant experience or a horrible one and will set their expectations and attitude toward the home, manager and owner for the rest of their stay. Let's work together to welcome the tenants to a clean and safe place to live.

Managing the Money

One of the main parts of our job is managing the money. As noted above, we do this through our property management software in accordance with the Texas Real Estate Commission.

A. Security Deposit Guarantee

This program will offer to repair or reimburse Owner for damages caused to the home by the resident above normal fair wear and tear, up to the amount of 1 time (1X) the Monthly Rent. This excludes pet damage covered in our Free Animal Protection Guarantee and / or damage caused by an authorized Service Animal per the Fair Housing Guidelines.

B. Collecting Rent

Collecting rent is one of the most tedious processes in being a landlord. We take the burden and documentation out of that process for our owners with the assistance of online bill payments and the best software available in the property management industry.

1. Due Date

The due date is always the 1st of the month. If the tenant moves in during the middle of the month, their rent will be pro-rated. Texas law requires a grace period for rent payments. They are due the 1st – and late the 5th.

2. Late Date

Rent is always late the 5th of the month in accordance with Texas law that states a grace period must be given. Our software allows us to track exactly what day and time the resident has paid rent through our online system. Currently around 90% of our residents are paying online. We push rent collection hard because most owners are making a mortgage payment and pressing the resident for the money and getting it to the owner is a high priority.

3. Late Fee

The late fee is 12% of the monthly rent and is assessed on the 5th of the month. As stated above – their grace period goes to midnight on the 4th of each month in accordance with Texas law. We make the late fees 12% of the rent so it is uniform across the spectrum of renters. Any late fees collected will go to the property manager as stated in the property management agreement.

4. Notice to Vacate

A Notice to Vacate is posted on a delinquent tenant's door between the 5th to the 8th of the month depending on the timing of rent not being collected. This is the first step in the eviction process as we are required to give the tenant at least a ONE day notice to vacate, in writing, with a confirmed delivery. If the home is financed with a federally backed loan, the home is subject to the CARES Act, and we are required to send a longer Notice to Vacate in case your tenant doesn't pay.

5. Filing with the County

Once the Notice to Vacate is posted, the next business day an eviction will be filed with the Justice of the Peace or county where the home resides in. This begins the eviction process and we file this quickly because the process takes time and we don't want the resident to get too far behind if we have to eventually put them out of the home. The cost is typically \$200 to \$700 depending on the county. Residents are allowed to pay that cost in an effort to catch up on the

rent. You'll see this charge on your owner report until we get it from the resident.

6. Attending Court

Court costs are very reasonable in Texas because we have a good small claims court system. We can attend court on your behalf so you don't have to hire an attorney. We charge a whole lot less and no real legal expertise is required. In most cases, the resident does not show up – and even if they do show up – non-payment of rent is not tolerated by the courts for any reason. You'll be kept in the loop every step of the way.

7. Writ of Possession

Once the judge grants the eviction for non-payment of rent, the next step is to arrange the Writ of Possession. This is executed by the Justice of the Peace's police force – the Constable, or by the county Sheriff depending on the jurisdiction. The cost of filing the Writ of Possession is depends on the location of the home and the jurisdiction it is in. Once the Writ is filed, a law enforcement officer will contact us to arrange an appointment to remove the resident from the home. An occupancy check is often conducted a day prior to that to find out if a crew needs to be hired to assist in removing the resident.

8. Cash for Keys

Once the judge has order the resident to move, it can take one to two weeks for the sheriff or constable to arrange an appointment with us to meet at the home. When they do meet us there, we have to hire a crew to move the resident's belongings to the curb – but only during good weather! If it rains, the law enforcement officer will delay that appointment as Texas law states we are not allowed to move a tenant's possessions to the curb during any type of bad weather (rain). Often, we are able to accelerate the tenant's move out in exchange for some cash. This will be the owner's call to make, but the idea is to get possession under controlled conditions from the tenant instead of waiting for the

sheriff to evict them. We find that when we do this, we get the property back in better condition, often weeks before the sheriff or constable can arrive. We also get keys and garage door openers back and know exactly when the outgoing evicted tenant is moving, instead of being surprised. Since we're spending your money to entice them to leave peacefully, this will be your decision to make, not RentWerx.

9. Executing a Writ of Possession

If a Writ of Possession has to be fully executed, the Sheriff or Constable will make an appointment with us to meet them at the home with a locksmith, and a moving crew. The officer will watch the locksmith break in (or we use our key), and they will then clear the home of any occupants. Whatever stuff left behind of any value, at the officer's discretion, will need to be moved to the curb. The expensive part is having a moving crew ready to empty out the possessions still left in the home.

10. Re-Keying

Immediately after the sheriff or constable has finished the put-out, we will need to rekey the property. This expense is charged to the owner as an expense.

C. Distributing Owner Draws

Tenant ACH must clear RentWerx Account between the 7th to 9th of the month.

Rentwerx process payments to owners on the 10th of each month.

Owners will receive their money somewhere around the 12th of each month.

D. Reporting to the IRS (1099's)

The IRS has required that all professional property managers issue a 1099 to them (and you) by January 31st of each year for any money we collected on your behalf from the tenant that year. Much like an employer, we are required to report income we received on your behalf. Your monthly owner's

report will account for most of your expenses on the property for that year and you'll show those expenses on schedule E of your tax return.

E. Anticipating Vacancy Expenses

We've had enough vacancies over the years to be able to predict pretty closely what it will cost to have a tenant move out. Once you understand the costs involved, it makes sense to keep the property in great condition and help us keep the current tenant there. Property damages are just a part of the vacancy costs. When you add to the expenses re-rent costs, utilities, lawn care, advertising and pest control you figure out pretty quickly that keeping a tenant in the home is very important.

Managing Owner Relationships

A. Authorization

During your time with RentWerx, from time to time we will need your authorization to make decisions that are outside our scope of authority. We'll do our best to leave you alone and manage the property, but occasionally we will need you to make a decision about such things as the appropriate action to take when a tenant is discovered to have an unauthorized animal or extra roommates; whether you want to repair the 8-year-old dishwasher for \$250, or replace it for \$600; and spending money over the \$300 reserve, to name a few examples. Many times an email is sufficient authorization, but occasionally we'll need something more formal. Most of the management decisions are small and we'll make them ourselves, but when confronted with larger issues, we'll contact you personally.

B. Renewing Agreements

The real estate licensing board requires that we keep the management agreements current without clearly defining what "current" means. Some managers ask owners to complete new owner agreements every year. Our attorneys have assured us that this isn't necessary. As a general rule, we may ask you to renew your owner paperwork every three to four years. Generally, it's done between tenants. We have the agreement online so it's not a big hassle, but every once and a while we'll need you to update another management agreement. We'll notify you in writing when it's needed.

Foreclosure and Title Conveyance Notices

When owners can't make their mortgage payment, they usually don't call us and tell us to stop collecting rent. They usually take the rent and hope the lender takes a long time to complete the process. As unfair as this is, people do funny things when they are financially stretched. Usually we find out

about a foreclosure when the tenant calls screaming about the letter they got from the lenders attorney demanding they move and threatening eviction. Since the tenant's only contact regarding the property is RentWerx, we get the brunt of the anger and accusations. They often accuse us of protecting the owner and cooperating with them in scamming the renter. Their life is turning upside down and they want to vent, file grievances with the real estate commission, TAR, and say nasty things about us on the internet. We get beat up; the owner gets to keep the money and the tenant must move.

In May of 2009, in response to all the foreclosures on rented property, congress passed the "Renters Rights in Foreclosure Act" mandating that the tenant be allowed to stay in a foreclosed property until the end of their lease term. Lenders are ignoring this law and ordering their representatives (the foreclosure attorneys) to get the tenant out, whatever it takes. Renters are not strong enough to fight the attorney so they pack up and move out, mad at the world, the owner, but particularly at RentWerx. There is nothing fair about any of this. The owner's credit is destroyed, RentWerx reputation is trashed, the renter is in upheaval, and the lender takes a bath on the property. There is no upside and there's nothing we can do to change it. RentWerx charges a \$795 termination fee on foreclosed properties.

Owner is obligated to offer atleast a 10-day written notice of any pending sale, or conveyance of title, that falls outside of the RentWerx or SaleWerx responsibility. Failing to give RentWerx proper notice in any change of ownership will incur a \$795 fee.

Managing the Property

A. Managing Maintenance Issues

Managing the physical condition of the property is one of our biggest tasks. This is where most of the stress comes from as we balance habitability and money issues. We have to be sensitive to mold, electrical problems, plumbing, ceiling fans, septic tank backups, rodents, dishwashers, A/C systems and the quality of the air, the water, the gas and power. Judges and court systems hold us to a high standard when it comes to our duties to provide a safe and habitable place to live, as do the people living in these houses. In their minds, safety of people overrides safety of the property and cost to the owner, so we manage with that standard in mind. Tenants are not a protected class, but they are a favored class when it comes to managers keeping their safety as a high priority.

B. Maintenance Priorities

Resident maintenance issues are handled in the order in which they are submitted with the following response times as guidelines. Here is how we present this to our residents.

1. Category 1: Emergency Maintenance

Emergency defined: Anything relating to the property under the lease that is threatening to life, health, or the property. Fire (please call 911), flood, sewage back-ups, gas odors (please call gas company), broken water pipes, tree falling on house. Target: 5 to 8 hours.

The Following are NOT Emergencies

Refrigerator out; locking yourself out of the house; power or gas off; a/c out and the property has two (2) a/c units; oven not working; water heater out. These issues may be inconvenient, uncomfortable, and aggravating, but they are not emergencies. RentWerx is not liable for loss of food caused by appliance breakdown or for damaged belongings

due to water leaks. Please make sure that you have adequate renter's insurance to cover unforeseen personal losses.

2. Category II: Urgent Maintenance

Broken windows; plumbing repairs (not clogged toilets); loose railings; wobbly decks; electrical problems. Target: 1-2 business day service

Note: during peak seasonal months, target response times for heat and air may be subject to delays due to contractor overload.

3. Category III: Normal Maintenance

Appliance repair, garage repairs, leaky faucets. Target: 3-4 business day service.

4. Category IV: Non-Essential Maintenance

Fence repair, gutter cleaning, garage door remotes. Target: 5-7 business day service.

5. Category V: Not a Habitability Issue

Screens; broken lattice; power washing; broken window shade; broken tree limb; missing door stopper; missing door knob; all light bulbs including stove, chandelier, and refrigerator; and fireplace gas keys.

Target: Point these items out during next property visit or bring up at lease renewal time. These items may not be approved for repair by the owner.

C. Maintenance Spending Limitations

No one wants to give their property manager an open check book, and we don't want one. That being said, we also can't contact the owner every time something needs to be repaired. The management agreement has a \$400 ceiling on repairs we can order without waiting for your response. We'll let you know by email when a maintenance request comes in, but often just as an FYI. Where we get into trouble with this limit is during weekends, holidays, and on A/C units. As a practical matter, we exceed that limit from time to time out of necessity to save the owner money in the long run. A great example would be an after-hours plumbing call, or a Sunday A/C call.

Note: This spending limit does not apply to emergencies, move-in contingencies. Occasionally, not often, there is a heavy storm, burst water pipes, flood, fire, A/C out in 95-degree weather, heat out in 35 degree weather, sewer backup, etc., and we must respond immediately. We will sometimes have to make a “command decision” based on the information we have, and the situation in which it comes up. During those repairs for emergencies, we have a limit of \$750 for any single repair without your approval. We know we are ultimately accountable to you for using good judgment. However, sometimes we just have to use common sense when managing your property.

D. Minor Maintenance Issues

Before the tenant moves in, they agree to handle regular, everyday issues around the house themselves like flipping GFCI switches, changing out light bulbs, resetting garbage disposals, etc. Some tenants are accustomed to living in an apartment community with maintenance personnel around to change their light bulbs and help them move the grill. We’ve dealt with this long enough to know what we can pass on to them and what we should respond to.

E. Lawn Care

We would love to assure you that tenants will keep the lawn manicured like you did, but in reality, we cannot. The lease calls for them to provide their own lawn care, but most tenants do not think like owners in this regard. Getting them to mow is about all you can expect, and sometimes it is difficult to get them to do that. The real problem is when there is an active HOA going around counting weeds and taking photos a sidewalk line that was not perfectly edged. Generally, lawn care isn’t a problem as much as, trimming shrubs, edging and watering.

F. Property Visits and Charges

We do an annual visit to the property by appointment with the tenant. This is completed AFTER a property survey has been done by an inspector and before any sort of lease extension is approved. The owner will receive a complete report from this inspection and that cost is passed along to them (\$150 per inspection). If you ask us to make a special trip (owner-requested trips) to meet an appraiser, a relative, your contractor, the HOA manager, etc., to check on utilities, to see if your vendor is finished, to see if the hail storm did any damage, to pick up your mail, or to see if you left your lights on, there will be a trip charge. San Antonio & Austin traffic often causes a "quick property visit" to take about an hour each way, plus time at the property and gas. We try hard to avoid unscheduled trips, but we don't want to say no when asked by the owner to do something special.

G. Emergency Maintenance Phone System

Occasionally a tenant calls with a true maintenance emergency, which requires immediate attention, they can call our 24/7 system to reach a live person and submit an emergency work order. When they call into our system 24/7 to reach and speak to a live person regarding the repair needed. When the home is flooding from a burst pipe, or the AC unit has quit working in 98-degree heat, we need to provide on-the-spot service. Weekend service calls can be pricey, but some things just can't wait until the next business day.

H. Handling Your Own Maintenance

Most property owners hire a manager to avoid direct involvement with tenants. However, some owners prefer to perform minor repairs themselves to save money. You are welcome to do so when the property is vacant and for any exterior issues at any time. However, while a tenant occupies the property, all interior maintenance will be managed by us.

This policy is driven by liability and practical considerations. While we understand you may have a trusted friend or neighbor capable of fixing minor issues, unforeseen problems could arise. For instance, if a tenant's belongings go missing or someone is injured while performing repairs, the situation could become problematic. We can foresee these potential issues and aim to mitigate them through our policy.

I. Home and Builder Warranties

Home warranties present significant challenges for professional property managers. When property owners delegate maintenance responsibilities to us but then transfer repair issues to a warranty company, it often results in a complex and unmanageable situation. Home warranties are primarily designed for owners who reside in the property and can actively collaborate with warranty company vendors. However, tenants may not be as responsive, making it difficult to coordinate with these vendors and often leading to tenant dissatisfaction.

As your property management team, we are dedicated to handling all maintenance needs efficiently. Engaging a home warranty company complicates this process. If you choose to work with a home warranty, we will accommodate this as much as possible. However, please note that there will be an additional fee of \$45 per occurrence to cover the extra administrative work involved. For more information and real-life examples of the limitations of home warranties for landlords, please refer to our FAQ section.

J. Regular Maintenance vs. Replacements, Renovations and Remodeling

We are responsible to oversee normal maintenance breakdowns and regular repairs as a part of our management fee. We separate these issues from the larger projects of renovations, full paintings, replacing carpet, roofs, siding and appliances. All property managers put limits on what they do for their monthly fees. For details of maintenance limits and handling fee, please refer to your property management agreement.

Managing the Tenant

A major part of our job is interacting with the tenant. We believe the more you know about how we manage tenants, the better you'll appreciate and enjoy the benefits of your anonymity. Our motto for the tenants is "clean and safe." Here are just a few topics for discussion.

A. 30-day Auto Renewal

Unless the tenant is given a 30-day notice by the landlord, or vice versa – the lease is extended automatically on a month to month basis until an extension is signed or one party provides the other party with a 30 day notice to end the lease. Keeping a renter in the property and paying rent for a long time is an important strategy, and we work hard to make that happen. If you want to move back in or sell the property, you must put your wishes in writing to us long before the 30-day timeframe from lease end so we can offer plenty of warning to the tenant.

B. Rent Increases

We recommend 12 month leases that will give the owner flexibility in a number of different ways: 1) They can raise the rent at lease end, 2) They can move back in, 3) They can sell the home, or 4) They can kick the tenant out and look for another tenant. A standard rental increase of 4% is written into all leases so the tenant will be aware of an increase from the beginning. If a larger rent increase is being considered, the past 12 months will need to be reviewed to get a feel for what type of tenant has been in your home. In addition, we will look at market conditions, vacancies, and needed repairs in making that decision.

C. Lease Renewal Process

Each time a resident renews or extends their lease agreement, RentWerx will charge a Renewal Commission of \$275. This commission will be charged for any executed lease extensions of at least 6 months, with a maximum of 12 months. Longer than 12-month lease extensions will be charged accordingly with a prorated renewal commission. This charge will be paid the following month after the extended lease agreement has been executed.

Managing the Move-Out

The next part of the management process is the move-out. The state Landlord Tenant Act has a lot to say about the move-out process. Legislators obviously have had a lot of complaints from renters over the years, because there is a lot about tenants moving out, charges for damages, and security deposits in the law. Here is a description of the process.

A. Before the Move-Out

In managing rentals there are five kinds of move-outs depending on the circumstances:

1. Normal Scheduled Move-Outs

Normal Scheduled Move-Outs account for about 90% of our business. Once they give us notice to move we will be communicating with them, and with you, right up to the day of the move-out inspection to make sure they keep utilities on; return keys, garage door openers, community keys and passes; and remove all personal property. We give them lists of things to think about so they can avoid fines and earn back their security deposit. Our priority is to get the property back in rent-ready condition. Most renters want their deposit back and pay close attention to these issues.

2. Early Terminations

Occasionally people get transferred, or buy another home, before their lease ends. There is an early termination stipulation in the lease that allows the tenant to move early by paying a one month's rent penalty up front. This will allow us to put the home on the market again on the tenant's behalf. During the time the home is on the market to find another tenant – the current tenant is still under the lease agreement and is obligated to pay rent, keep the utilities on, and the home maintained. Once a suitable replacement tenant is found, the old tenants lease can be terminated early with their security deposit being refundable. We'll

notify you immediately if a tenant would like to exercise the Early Termination Clause.

3. Coordinated Skips

Occasionally renters call us in the middle of their lease term and just tell us they're moving for any number of reasons. They lose jobs, get divorced, can't get along with their roommate or just can't afford the rent anymore. They're not skipping, but they're also not offering to pay the early termination fees; they just want to notify us of their intent to move and want to do it under controlled conditions. We'll notify you immediately and will handle all the charges according to the lease and state law.

4. Skips and Abandonment

Every now and then, we find a property abandoned. Usually we discover it when we're doing a drive-by due to unpaid rent or an imminent eviction. Often the utilities are off and there's plenty of personal property left behind. When this happens, we'll make a decision about whether we take immediate possession or need to go through the eviction process to gain back control of the home. We will notify you immediately with the intent of keeping you informed.

B. During the Move-Out

Once the tenant moves out and return keys, we schedule a move out inspection and thoroughly document the condition of the home. We will charge for all damages unless we see it on the move-in inspection, or it is normal wear and tear. We send a detailed inspection of the home to include pictures and video. This procedure puts us in a good position to defend any necessary charges, and protects the owner from too much conflict which could worsen into a lawsuit. The move-out inspection in most cases will take less than 60 minutes, depending on how much damage needs to be recorded. We will always call for a third-party assessment similar to the property assessments mentioned earlier.

This third set of eyes and new pictures will assist in documenting the issues at hand. If we are charging the tenant thousands of dollars for damages, we need to go overboard to document it. The more eyes the better. Everyone will take their photos (and videos) in preparation for proving the charges to the tenant, or if a lawsuit follows that - the judge.

C. Photos and Videos

For years we have sought to document our charges to the tenant by taking digital photos and video of damages just in case the tenant disputes the charges. Often, carpet stains or excessive damages to the walls don't show up well on photos. Videos have become more popular and can be stored on YouTube with no shelf life. This method augments the pictures and will usually highlight things a lot better than pictures alone.

D. Normal Wear and Tear

Landlord Tenant Laws prevent landlords from charging renters for "normal wear and tear" on the move-out inspection. Most of the conflict comes from this. This is very subjective and we know for a fact that different property managers will come up with uniquely different assessments looking at the same property. We do this with one eye on explaining it to you (and if needed the judge) if the tenant disputes the charges, as the judge has the final say as to charging damages to the tenant. Some owners think the tenant should return the property in the same condition in which they found it or in a rent-ready condition. While some states allow this standard, Texas is not one of those states. Abuse this process and the judge will not go lightly on you when looking over the charges. The Texas Property Code has exact formulas for "normal wear and tear" and judges will often use that as their guide in addition to the length of stay from the tenant.

E. After the Move-Out

Texas law gives landlords thirty days, from the time of surrender, to identify charges and get the information to the tenant for review. Refunding the balance of their security deposit, or sending them a bill with the detailed charges satisfies this requirement. Texas Law also requires that we disburse the security deposit within 30 days of lease end. We will send the tenant a document detailing all the charges they owe, including unpaid rent, late fees, NSF charges, warrant charges, and damages to the property.

F. Disbursing the Security Deposit

If the tenant disputes any charges, we work aggressively to provide them the information we have gathered with pictures and video, vendor receipts, quotes, and or estimates for work that needs to be done. We also hire a third party inspector to document the condition of the home. We must still abide by the 30-day requirement to notify the tenant in writing what charges were incurred and refund any balances left in their account. No owner wants to get served papers for a lawsuit at their residence or place of work for a few hundred dollars – so we are very aware of this when recommending a deposit refund or any withholdings.

Legal Pursuits

If the tenant owes money to RentWerx once they vacate the home, this is called a “collection” effort. This unpaid debt from the tenant is a difficult thing to collect on. It can be reported to the credit agencies, but this does little to get them to pay in most circumstances as those outgoing tenants often don’t have the means to pay. The good tenants, which we focus on getting into our homes, are the ones who don’t have issues like this from their past – which is often a good indicator of their future performance.

The only real way to collect a debt on a tenant is by getting a judgement granted for any outstanding debt. To do this, an attorney would need to be hired, and the tenant would need to be sued through the small claims courts. The tenant would be served and the case would go in front of a judge. Assuming the case can be won, the judge will grant a “judgement” of a certain dollar amount to the owner. This judgement can be filed with the county, and the collection agencies that will tie to that person until the case can be settled. That person would not be able to buy a home with a lender until that judgement is settled along with several other deterring factors. Employers would also see that on their record and asked questions about it.

More or less – this process is like squeezing blood out of a turnip. If the tenant has done less than \$1,000 worth of damage – that whole process of pursuing a tenant would be nullified by any attorney and court costs. But – as the saying goes here – you can sue anyone over anything with a simple small claims suit.

When It's Time to Sell

Around half of our clients buy the house as an investment property and intend to hold for a long time. The other half used to live in it and could not sell it when they needed to move. When it's time to sell, there are some options.

A. Selling to the Tenant

The most efficient sale you will ever have is when you can sell the property to the existing tenant. Everybody loves the idea of selling to the tenant because there is no vacancy between the time the tenant moves out and a new buyer moves in. This is the best of all worlds for the owner. So, if it is good for the owner, why doesn't it happen very often? As a broker, we would love to sell to current tenants every time. It's an easier sale, and there is no move-in or move-out to manage. From the outside looking in – one would think that tenants would buy houses they are living in. They do, just not the one they rented. Why? Here's what we discovered in the managing and selling rentals for our clients: when tenants choose a rental, they make compromises in the house, the community and the area. They don't take the time buyers generally take to select just the right house for their family. They aren't thinking ten years, but two; it's just a temporary place to live until they figure out where they want to buy. We do sell homes to renters, but not many.

Secondly, it's a hard sale. Here's the problem; tenants don't do home inspections before renting a home. When people live in a property for a while, they figure out what's wrong with it. They learn the upstairs does not cool in the summer and the neighbor is a crab. They know what needs to be fixed; they know the problems with the property, and often they won't buy it because they know too much about it. This sounds strange, but for some reason they would rather buy something they know nothing about than buy something they've lived in and know everything about. Stupid as that sounds, we've heard it all before. That being said, if you want to sell the

property and it's occupied with a tenant – consult with RentWerx and we can best advise you on the strategy to get the home sold.

B. List for Sale

When our clients are done with leasing the property we often sell the home for them. We have been licensed brokers for 15 years. Because we know a lot about the property, and we have a relationship with the occupant, we are able to get it on the market before they move out and we don't need much from you to make it happen. When you get notice from us that they're moving, let us know if you want to sell.

C. Short Sales

It's a common misconception that a short sale is the best way to get rid of a property in a hurry. What people don't understand is that the owner must be several months behind in the mortgage payments (which is damaging to their credit rating) before their lender will even talk to them about taking a discount on the loan payoff (paying it short). They also won't talk to you if the property is rented. The lender thinks if the property is rented, you should be able to make the payments. Short sales are a common phenomenon of the current real estate market which means three things: the lenders are all doing them differently, the rules are changing weekly, and the fad will be over soon. If you think your property is upside down for market value in comparison to the current mortgage, and want to investigate this option, contact your lender and get the story before you call RentWerx about offering it to the renter. We've closed a few, but it's a lot harder than it looks.

Managing the Separation

There will come a day when we decide to part ways. Since it is inevitable, we want it to be a smooth and orderly transition. Because there are license laws and security deposit funds involved, we have to do this very carefully. We have forms and checklists for this process so we don't miss a thing. If there is a tenant in the property this is a little sticky, but we have done it before and know exactly what the issues are. Some owners decide to manage their own property. Some want another property manager, while others want to sell and be done with leasing. Whatever the reason, we will always be willing and cooperative to make the transition smooth. Here is more on the final process of our relationship:

A. Separating in the Middle of a Tenancy

Either party can initiate a separation. In doing so, the party that wished to terminate the relationship is obligated to provide a 60-day written notice. If a tenant is already in the home under a current lease agreement, all documents and funds can be handed over to the owner, or to a new property manager. There are no refunds offered for early termination. The best time to terminate is between tenants to cause the least amount of confusion for all parties involved with security deposits and other funds.

B. Separating with Cause and without Cause

Either party can initiate a separation. However, there are two sets of circumstances that generate a separation. One is "for cause", meaning one of us is unwilling to fulfill their agreement and the other is unwilling to continue to tolerate it. As an example: if we don't manage as we agreed, and you call us on it, we must be given the opportunity to correct the problem. If we don't, then you should be able to sever our relationship without penalty. The second is "without cause", meaning there is no contractual reason to separate, just a need to part company. If that takes place, there may be some consequences as we are both counting on each other to fulfill the agreement.

ADDENDUM TO OWNER HANDBOOK ONE

Owner Charges

1. Utility Management Fee: \$75

The utility management fee would be assessed if RentWerx is asked to spend excessive effort and time in crossing over utilities to include power and water on behalf of the owner. Some municipalities are easy to cross over with a phone call – others require someone to appear in person, pay with a check, and sign paperwork in order to assume the utilities to that home. This will be assessed on a case by case basis.

2. Oversee Owner's Vendor: \$75

This fee may be assessed if we are asked to oversee a vendor that the owner has personally hired. In doing so, we are assuming direct liability for that vendor in relation to the home, and the interaction with the tenant. This can sometimes be a non-licensed vendor sent over to look at the home on behalf of the owner. This creates more work for us both in follow up, liability, and correct completion of the job. We encourage owners to allow us to use our approved list of vendors for most items under most circumstances. This will be assessed on a case by case basis.

3. Drive By Fee – Outside Only: \$85 Weekend Fee – Outside Only: \$100

We often get requests from owners to run by the home and do a quick drive by to make sure the garage door is down, or the garbage cans get put away. These things we can do, but it requires us to send someone to do this and that costs gas money and time. San Antonio & Austin traffic is often pretty hectic and even the quickest of trips can take an hour or more round-trip.

4. Walk-through Fee: \$85 Weekend Walk-through: \$100

This fee would be applied if the owner requests us to go to the home and do a walk-through with the tenant, or while it is vacant, outside of the normal leasing or

renewal process. This would only be applied in certain circumstances that go above and beyond our normal management.

Example – the neighbor calls the owner and says they saw something suspicious going on at the home and requests us to do a walk-through to investigate. We can do this, but we have to charge for the time and gas money involved in getting to the home. This will be applied on a case by case basis.

5. Military by Owner Fee: \$100 (\$79.95 cost)

We often get requests to put a home on MilitaryByOwner.com in addition to the normal marketing that we do with the San Antonio & Austin MLS and AHRN.com. The MBO website is a good marketing tool, but in our experience, an overpriced method of advertising. The cost involved to post a decent looking ad is \$79.95. In addition, when owners post directly on this site – it turns into another form of “Craigslist” advertising that simply brings prospective applicants with unusual circumstances looking for a weak owner to take advantage of. If MBO is something that is added to the marketing package – we charge a \$20 fee over the \$79.95 that MBO charges to post all the pictures and information about the home.

6. Early Termination Fee: \$500 - \$975

This fee is added into the standard property management agreement. It is applied if an owner hires us to list their home for rent, we put the home on the market, then sometime later they decide to change their minds and not rent the home with us. We understand those decisions, and it should be understood we have put a lot of time and effort into taking pictures, taking video, posting to all of the websites, fielding calls about that home, and sometimes dealing with applicants. This applies only to an owner prior to a tenant signing a lease agreement. Once a tenant signs a lease agreement, the property management agreement will govern any charges if an owner wants to terminate services early. Should the owner situation change and that home is placed back on the market under management, the \$500 paid cancellation fee can be credited to the owner in management fees. Should Owner

cancel management agreement services within the first 6 (six) months of lease execution or takeover of an existing lease agreement, Owner agrees to a \$975 cancellation fee.

7. Home Warranty Service Call Fee: \$45

This fee is added on to a service call if we are asked to use a home warranty that the owner has purchased. It is most often for air conditioning, plumbing, and water heaters. Although we DO NOT recommend home warranties and can offer pages of information as to why we do not recommend them – we understand that some owners feel they are worth keeping. Home Warranties were designed for owners living in the home that can oversee the vendors, and take the additional time to call in for service calls. A routine service call for an air conditioning is compounded with 3-4 more layers of red tape just to get a vendor on site and on time. Since we have NO control over the vendors, we often have to seek out information about who is doing the service call and that it gets completed. The vendors do not answer to us – they answer to the Home Warranty Company which leads them to never keep us in the loop for these repairs. If asked, we can oversee these service calls – but have to charge a fee to compensate for the numerous extra steps and effort this causes to make sure it is done correctly.

8. Owner Foreclosure Charge: \$650

This fee is charged if the owner has let the home go into foreclosure. If this happens, we will have to bear the brunt of the abuse from the tenant, and assist them in finding another home. It is often a surprise to us and a bigger surprise to the tenant. This will be on a case by case basis.

9. Special HOA Signage Fee = Cost of Sign + \$50

This fee is charged only if we are required to use special signage to advertise the home for rent or for sale. Sometimes, a Home Owners Association has strict stipulations on the type and design of signs that can go in front of a home. If we are forced to purchase a new sign to comply with the HOA stipulations, that cost will be passed on to the owner.

10. Pool Key Retrieval Fee: \$85

This fee is charged if we are tasked to go in person to a homeowner's HOA office and retrieve a pool key. A standard trip fee will be charged. Although we would love to do this via mail, or make other arrangements, a lot of HOA's will only give out a pool key to a management company, a tenant, or an owner with valid documentation. In addition, that pool key is often signed for with identification shown requiring that this be done in person.

11. Stop Payment Fee: \$40

This fee would be charged if we were asked to cut a check directly to an owner and mailed out. If it was determined that the wrong address was given to no fault of our own – we would have to charge the fee. We are charged a fee by the bank and that would have to be passed on to the owner. This fee only applies to payments made by check. This is on a case by case basis.

12. Re-Issue Check Fee: \$40

This fee is charged if we are asked to replace a missing check, with a new check. At this point, we will have TWO checks floating out there and have to make the effort to track down and reconcile the missing check. This fee is on a case by case basis.

13. Additional Inspection Fee: \$150

This Fee is Charged for an inspection with copies provided to the owner.

14. Meet someone at property: \$85

We often get requests from owners to meet someone at the property to assist them in gaining access. This could be appraisers, contractors, pest control, inspectors, or even family members. To cover the cost of time and gas money – we charge a fee. Often times, the home has a combination lockbox on it with a key and we can give that information out as required to avoid making a trip there. This fee is charged on a case by case basis.

15. Court Appearance: \$75 per hour

It comes into play for evictions, and or lawsuits where we are asked to appear in court on behalf of the owner.

16. Annual Technology Fee and IRS Compliance Fee: \$65

There is an Annual \$65 Tax Preparation Fee to Manager to cover the costs of administration fees associated with all technology features to include electronic delivery of the required IRS Form 1099 each year. This fee is collected annually on 1 January.

17. Renewals or Extension Fee = \$275

Each time a tenant renews or extends their lease agreement, RentWerx will charge a Renewal Commission of \$275. This charge will be paid the following month after the extended lease agreement has been executed.

18. Landlord Exit Fee: \$100

Upon completion or termination of this agreement, owners will incur a \$100 charge for turning over all documentation, accounting for all funds, archiving all files, and forwarding any information required to the owners and/or the tenants. All files and accounting is required to be archived for seven years, this fee is meant to cover that liability.

19. Security Deposit Dispute Fee: \$150

In the event that RentWerx has to deal with an outgoing tenant who is in disagreement with a security deposit itemization return, this charge would be applied should it become necessary to seek mediation or legal assistance in resolving a tenant security deposit dispute.

20. Tenant Take Over Fee: 25% Leasing Fee + \$150 Inspection Fee

This fee would be charged to a new owner coming into RentWerx that already has an existing tenant. Often times, it becomes necessary to start from the beginning with that tenant and implement them into the system with a new lease agreement, a walk-through with pictures, tenant portal set up, and general follow up. This is the fee to cover start-up costs for an inherited tenant.

21. Owner's Insurance and surcharge: \$35.33 Per Month – Opt Out Option

At all times during this agreement while this home is under management, Owner must maintain in effect a public liability insurance policy (home owner's insurance) that covers losses to the property. This will include an amount equal to the reasonable replacement cost of the property's improvements and containing endorsements showing the insuring party is aware that the home will be leased to prospective tenants. It is required that the owner name RentWerx San Antonio & Austin as "Additionally Insured" on their owner's insurance policy.

Owners may OPT OUT of this \$35.33 per month surcharge by providing Manager a letter or notice delivered via mail, email, or fax that indicates RentWerx– as named "Additionally Insured" on their home owner's insurance policy no later than 15 days from the completion date of this agreement.