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Single-family homes

Condominiums

Lofts / Multi-units

Duplexes

OWNER'S GUIDE

North Texas

17950 Preston Road, Suite 230

Dallas, Texas 75252

Phone: (214) 420-7350

Fax:(469) 893-1266

South Texas

13831 Northwest Freeway, Suite 160

Houston, Texas 77040

Phone: (214) 420-7350

Fax:(469) 893-1266

www.lonestar4rent.com

info@lonestar4rent.com

WELCOME

We Specialize in Managing Single Family Residences.

Thank you for choosing Lone Star 4 Rent (LS4R) to manage your investment. We are aware that you have many choices and we appreciate that you have selected us as your property management company. LS4R works to achieve the highest level of professionalism in property management services. Therefore, we have prepared this Owner's Guide to assist you in a successful business relationship with our company. We urge you to take the time to review the information enclosed. We feel this will further clarify many of the procedures of our Property Management services. Please contact us immediately if you have any questions, using the contact information provided in the following pages.

Special note: the information provided in the LS4R *Owner's Guide* is subject to change. Landlord/ tenant laws, personnel, policies, and procedures change from time to time. LS4R works diligently and continually to improve services and personnel training and remains current with all landlord/ tenant legislation.

Once again, thank you for choosing LS4R as your property management company. We look forward to a successful business relationship.

LS4R, LLC

Lone Star 4 Rent is a property management company operating in the Dallas/Ft. Worth and Houston metroplexes, specializing in full-service property management. The company began operating in 2012, under Longhorn IV Investments, LLC and is actively involved in the Texas communities. LS4R is an abbreviation used in lieu of the full company name, Lone Star 4 Rent, and will be used throughout the *Owner's Guide*.

I. LS4R MISSION STATEMENT

The mission of LS4R is to provide quality service in property management in the DFW and Houston metropolitan areas, demonstrating integrity and professionalism. Lone Star 4 Rent has four (4) core objections:

- (1) **Financial Peace of Mind;**
- (2) **Optimal Operations;**
- (3) **Unilateral Communications; and**
- (4) **Results Drive.**

II. GETTING STARTED

A. Initial site visit

A LS4R property manager must visit your property before we can accurately price it or agree to manage it. The site visit must include interior access as well.

B. Proposal

Immediately following the initial site visit, LS4R will prepare a proposal consisting of a market rent analysis of comparable properties in the immediate vicinity of the subject property, a draft

management agreement, and various property intake forms. We will deliver these documents to you via email attachments.

We must receive two things to begin the management engagement:

- A signed management with intake documents completely filled out.
- A key to the property.

C. Property survey

Upon receipt of the management agreement and keys, we will survey the property. LS4R does this to ensure that we can place a tenant in the property and that the property is ready to market. When we survey the property we will:

- Test all electrical circuit
- Verify that all light fixtures work and have light bulbs
- Verify that all appliances are in functioning condition
- Verify that the furnace and air conditioner work
- Verify that all plumbing fixtures are in functioning condition
- Verify that windows are operable
- Verify that all utilities are turned on
- Look for obvious structural defects (roof, foundation, etc.)
- Verify that the property is in white glove showing condition inside and out
- Verify that the property meets LS4R requirements for move-in condition.

The property survey is currently performed through iAuditor via handheld or tablet onsite.

D. Necessary work is completed

After the property survey LS4R will send you a report, via email, of our findings. Sometimes, the property is ready to market and needs no work at all. Occasionally, some work is needed. If work is needed, we will send you a list of repairs along with our bid to complete the work. You may choose to either have LS4R complete the work or you may complete the work yourself.

E. The property is marketed

Upon our determination that the property is both safe for tenant occupancy and ready to market, we will take photographs, place a sign in the yard (if permitted by HOA regulations), and market the property.

III. OWNER DOCUMENTS

A copy of your management agreement with various intake documents is provided to you along with the LS4R *Owner Manual*. Refer to them as needed and keep them with this information for reference.

It is important that LS4R receive all critical information as we begin management. You may have completed the documents listed below. If not, we need you to fill out and return the following documents.

A. Management agreement

Under Texas law we cannot manage your property unless authorized by you to do so in a management agreement.

B. Owner Information

This information enables LS4R to set up your account.

- Electronic banking authorization (This form enables LS4R to send your funds directly to your bank.)
- W-9 (This form enables LS4R to send you a Form 1099 for preparation of your taxes.)

As management continues, information can change. We have included several forms for your convenience. These forms and a copy of this guide may also be downloaded from the Owner's page on the company website.

C. Change of owner information

Notify LS4R of any important change when it happens – address, telephone, fax, email, etc.

D. Owner work order authorization

For larger projects, this form authorizes us to perform specific work on the property.

E. Owner vacation notice

This is for notifying LS4R when you will be unavailable for more than two (2) weeks so that LS4R is prepared in the event of an emergency.

IV. LS4R COMMUNICATION

Communication is a key to success in any relationship and the LS4R/Owner relationship is certainly not an exception. We constantly work to improve communications. This includes everyone – owners, tenants, applicants, vendors, buyers, sellers, and the public.

A. Company communication

On the next page, you will find all general office information such as addresses, telephone numbers, email address, website, and office hours. LS4R staff members communicate by:

- Telephone
- Fax
- Email
- Written correspondence

B. Company website

LS4R stays current with business technology. The LS4R website, www.lonestar4rent.com, has proved to be a tremendous asset. Here are a few of the benefits for clients on the LS4R website:

- Prospective tenants can search our site for available rentals; all other online advertising links back to the LS4R website.
- Prospective tenants may apply online.
- The majority of tenants pay rent online.
- Tenants may make maintenance requests online.
- Tenant forms, such as the tenant handbook and notice to vacate forms, are available online
- Each owner via email, fax or U.S. mail within 24 hours will have access to the management agreement, current leases, monthly reports, approved work orders, all invoices and receipts for which the owner is billed, and any photographic or written reports delivered to the owner.
- To pay for emergency repairs, owners may send LS4R funds instantly via the website by e-check or credit card.

V. OWNER COMMUNICATION

Communication works both ways. It is important that you let us know any significant change that can affect your account. LS4R needs to know when you are moving, if you have a problem with your account, if your social security number has changed to a tax ID, or any questions or other important information. To assist in communicating any changes to us, we have provided the Change of Owner Information form with this manual that is easy to use.

A. Email

LS4R encourages all owners to use email to contact us. It is fast and effective. Please supply us with your email address on all the LS4R forms. We will enter your email address in our database.

Special note: When using email, we request that you put the property address in the subject line. This Helps us identify the importance of your message and avoids oversights or deletions of messages.
Owner vacation notice

LS4R respectfully requests that owners notify LS4R of vacations that are two weeks or more, as well as provide us with emergency contact information while on vacation. The purpose in asking for this information is to ensure LS4R is prepared in the event of an emergency repair or major problem concerning the owner's property and/or tenant. A convenient Vacation Notification Form is available to download from the LS4R website on the "Owners" page.

VI. OWNER RESPONSIBILITIES

A successful business relationship must engage both parties. At LS4R, we take our management responsibilities seriously and request that owners do the same.

Owner responsibilities are:

- Maintain property in a condition that is marketable and habitable.
- Notify LS4R of any ownership change or imminent owner change for the managed property
Supply LS4R with accurate information so LS4R can service the management account properly
Review statements monthly and notify LS4R of any discrepancies found as soon as possible
Review statements monthly for accurate or missing deposits and notify LS4R if there are problems immediately.
- Support Fair Housing Laws and guidelines, as well as all necessary legislation.
- Maintain a current insurance policy for the property.

- Review property insurance yearly and update as needed.
- Treat LS4R personnel with courtesy. Notify the LS4R principal if there are problems with LS4R personnel so they can be resolved quickly.

VII. THE SCOPE OF PROPERTY MANAGEMENT

A. What is included in LS4R property management services?

We want you to know what LS4R does for you as your property management company. Therefore, LS4R has outlined our policies and procedures in the pages of this manual. There are so many details to managing property that we can include only the highlights in this manual. If you have more questions, contact us.

B. What is not included in LS4R property management services?

Some tasks go beyond the normal scope of property management or require additional fees. The property management fee does not include providing on-site management services, property sales, refinancing, preparing property for sale or refinancing, modernization, fire or major damage restoration, rehabilitation, obtaining or giving income tax, accounting, legal advice, and representation before public agencies, advising on proposed new construction, debt collection, counseling, or attending Homeowner Association meetings. If you have any questions on what is or is not included in property management, please let us know. We have more information on additional services later in this manual.

VIII. COMPANY POLICIES

It is very important that professional property managers follow local, state, and federal legislation and guidelines. Our company takes pride in our industry, and we further implement guidelines and policies of several organizations, such as the National Association of Residential Property Managers (NARPM), the National Apartment Association, and the National Association of Realtors (NAR®). Additionally, we train all personnel by requiring them to read and follow the LS4R Employee Manual and the LS4R

A. Property Management Policy and Procedures Manual.

B. Texas Real Estate Commission requirements

TREC requires licensing for all principals conducting property management and real estate sales in our state.

C. Drug-free policy

LS4R has a drug-free policy for all personnel, vendors, and tenants. LS4R incorporates this policy into LS4R rental/lease agreements, tenant, personnel, and vendor documentation.

D. Legislation

LS4R adheres to the laws and guidelines of federal, state, and local legislation, and incorporates this into all documentation, policies, and procedures. Here are some examples:

Fair Housing (HUD) - LS4R supports and follows Fair Housing laws and guidelines; the LS4R office displays Fair Housing signage.

E. Equal Opportunity - LS4R is an Equal Opportunity employer; the LS4R office displays Equal Opportunity signage.

F. SCRA Act – Serviceman’s Civil Relief Act, which has replaced the Soldiers’ and Sailors’ Act of 1940

G. URLTA - Uniform Residential Landlord Tenant Act

H. FCRA - Fair Credit Reporting Act

I. EPA – Environment Protection Agency

J. Lead-based paint

Lead-based paint became a major issue in the 1990s that prompted mandatory requirements for residential housing and continues today. LS4R follows all mandated federal and state guidelines for lead-based paint. All properties constructed prior to January 1, 1978 require disclosures to all tenants and owners. Tenants sign lead-based paint disclosures prior to renting a property and LS4R provides them with the required EPA Pamphlet, *Protect Your Family from Lead in the Home*.

Property owners and/or property managers must notify tenants, in writing, of any scheduled work necessary for lead-based paint on the property.

IX. ANSWERS REGARDING FUNDS

LS4R recognizes the importance of accurately collecting and disbursing funds. The bookkeeping program used by LS4R is specialized software designed to handle the many facets of property management and accurate record keeping, and complies with the requirements of TREC. Currently, LS4R utilizes Propertyware software.

A. Money flow during the lease cycle

Fifty percent (50%) of first month’s rent is paid out to LS4R as a tenant procurement fee. For the remainder of the lease, LS4R receives 8%-10% of the rent as a monthly management fee and the owner receives the balance of the rent, less any expenses LS4R has paid on the owner’s behalf, usually for repairs. Additional fees are set forth on the Fee Schedule attached hereto as “Exhibit A”.

B. Disbursement of monthly funds

LS4R disburses available funds to owners on the 15th of each month. If this date falls on a weekend or bank holiday, LS4R issues funds on the next business day. If rent is received too late for owner funds to be disbursed on the 15th, the funds will be reflected with the next month’s owner distribution.

LS4R distributes owner funds by Automated Clearing House (ACH) direct deposit. Payments by ACH take two to three business days to post in our owners’ bank accounts. Payments made on the 15th will post in the owner’s account within three business days unless a holiday or weekend intervenes.

C. Monthly statements

On the 15th day of each month LS4R will email monthly reports and paid invoices, if any, to each owner. If you have difficulty reading your monthly statement, please contact us.

D. End of year procedures

At the end of each year, LS4R is required to file 1099s for owner clients who receive income over \$600. Please note that this amount is for total income received, and not the yearly total of owner disbursements. The Internal Revenue Service dictates the total income received requirement. Security deposits are not included in this amount.

You will need to supply LS4R with your tax ID number (Social Security Number or EIN) so we can issue you a 1099. We include a W9 form with your management agreement for this purpose. LS4R will send you the 1099 by January 31 for the previous tax year. If there is a change in your tax information such as a changed address or a change in the entity that holds title to the property, please notify us with the Owner Change of Information form.

LS4R also issues 1099s for disbursements to vendors for payments over \$600.00. Therefore, owners do not have to issue 1099s for work completed and paid through the LS4R trust account. Owners, however, are responsible for issuing 1099s to any vendor paid through the owner's personal account.

LS4R prepares a final year-end statement which reflects total amounts for income and expenses that have transpired throughout the year, such as management fees, leasing fees, landscape, utilities, repairs and maintenance, etc. The amounts will not reflect any funds issued through the owners personal account. Owners may submit their LS4R final year-end statement to their tax preparer along with other information for income tax reporting. LS4R does not issue statements to the owner's tax preparers other than our 1099 and our final year-end statement.

X. RENTING YOUR PROPERTY

A. Preparing to rent the property

When prospective tenants view your property, LS4R wants the property to look its best and be able to compete with other rentals in the same area. A property maintenance report and rental market survey is completed. The LS4R management team will contact you to discuss the details of your property and any necessary maintenance.

B. Requirements for property condition

LS4R only markets homes that are in proper showing condition and are fully repaired. Before LS4R will market a home, the following requirements must be met:

- Carpets, if any, must either be professionally cleaned or appear to have been professionally cleaned.
- All interior paint must either be freshly painted or appear freshly painted.
- The home must be in broom swept condition.
- All major systems must be operating (electrical, plumbing, gas, HVAC).
- All appliances included in advertising must be installed and in operating condition.

- All utilities must be turned on.
- Landscaping must be in good condition.
- All work identified in the property maintenance report must either be completed (if owner completes the work) or fully funded and underway (if LS4R completes the work).

When a tenant moves into a home that is rent-ready, we have an opportunity to begin the landlord-tenant relationship with mutual respect and trust. On the other hand, nothing sets a tenant against the property, the owner, and the manager, more than moving into a home that is not ready. It can be compared to checking into a hotel room that has not been cleaned. The relationship with the tenant can become polarized and adversarial from the very beginning. When this happens, the landlord/tenant relationship frequently never recovers.

Tenants who rent with LS4R expect to take possession of a property that is ready to be lived in. LS4R is committed to delivering to tenants what we promise: a property that is move-in ready.

C. Why has my property been cleaned more than once?

LS4R often finds it necessary to clean a property more than once prior to tenant move-in, and owners sometimes ask why this is necessary. If the property was completely clean and move-in ready six weeks or six days prior to tenant move-in, how could it possibly need maid service again? Here are some of the reasons:

1. When a property is vacant for an extended period, dust enters and settles and the property simply becomes dirty again.
2. Various kinds of insects become more active at certain times of the year; spiders, for example, are very active in the fall. When a property is vacant, spiders, ants, cockroaches and many other kinds of insects will make inroads and cause the property to need cleaning.
3. Various small creatures tend to enter vacant homes and die. These may include insects of all kinds, lizards, rodents, and birds. Dead creatures in the home can be very upsetting at move-in.
4. Even if the home is shown only by LS4R staff, frequent showings and occasional use of the bathroom may be enough to create the need for cleaning. Imagine if a popular property were shown five times during a week of heavy rain to groups of people, many of whom use the bathroom.
5. If vendors have been in to repair the home, it may need to be cleaned again. In an ideal world, every vendor would leave a pristine home as clean as he found it. In reality, carpenters, plumbers, electricians, appliance delivery services and the like do not bring maid carts with them and are not prepared to do serious cleaning after they have completed the work they were hired to do.
6. In some cases, the owner has cleaned the home, and the owner's standard of cleanliness for move-in is lower than LS4R's standard of cleanliness for move-in. In the event of a disparity, LS4R's standard will prevail and the property will be cleaned again.

It is never acceptable to move a tenant into a dirty property.

D. Setting the rent

Supply and demand determine rent. If there are multiple rentals available in the area of your property, it is necessary to be very competitive. If very few are for rent in the same area, it will be easier to rent the property. Markets change and LS4R advises owners on the current rental market.

E. How long will the property be vacant?

This is the most commonly asked question LS4R receives from owners. Unfortunately, there is no way to predict how long a property will remain on the market, even in the best market conditions.

However, LS4R works diligently to rent the property as quickly as possible. Bear in mind that the most important objective is to obtain a high-quality tenant. It is hard to overstate the high cost of a low-quality tenant.

XI. MARKETING

A. Sign-age

LS4R displays 'For Lease' yard signs prominently, unless prohibited by neighborhood covenants, and each sign carries our office phone number and website address. Yard signs promote calls and website visits.

B. Internet marketing

LS4R prides itself on effective internet marketing. Each rental property has a page on our website, lonestar4rent.com. The LS4R website has rich information on each property with photos, maps, property description, and instructions about how to request a showing appointment and how to apply. In addition to our own website, LS4R markets properties on a variety of paid and free websites. LS4R marketing staff is on the internet every day and pay close attention to which rental home websites attract the most visitors. LS4R markets our rental homes on the most-visited websites. Trends in internet advertising change rapidly and our selection of marketing websites changes with the market. Please ask about specific websites on which your property will be advertised.

C. Print Media

LS4R has found that internet advertising is far more cost-effective than print media advertising. We do not recommend print advertising.

D. Showings and applications

The LS4R property managers conduct showings for each unit. Prospects contact us by email and/or telephone. We arrange showing times for your property in advance. One method that has proved very effective and efficient is to have the prospect send a copy of a state issued photo id. Once the id is received, the prospect is sent an email with showing instructions. This is also followed up by a telephone call to discuss the property with the prospect.

E. LS4R has a user friendly online rental application.

We are prepared to execute leases with approved tenants very quickly by fax and email. Using the internet, we have leased properties, sight-unseen, to qualified out-of-state tenants many times.

XII. PROCESSING TENANT APPLICATIONS

A. Tenant screening

Thorough screening is crucial for successful property management. LS4R requires all applicants to fill out a detailed application and submit it for processing and approval. For each tenant, we examine the following:

- Equifax credit report
- Nationwide criminal background report
- Nationwide report of previous evictions
- Employment
- Income
- Rental history

All applicants must submit verifiable information on their income to show that they can support the rent payment. Rental history or previous home ownership is carefully checked. The credit report, criminal background report, rental history, and proof of income together provide the criteria to qualify or disqualify prospective applicants. If a pet is allowed on the property, the screening includes the pet.

B. Cosigners/Guarantors

There are sometimes conditions that may warrant taking a cosigner/guarantor on a property. For example, we have successfully leased homes to students who had well-funded parental cosigners/guarantors. If this is the case, LS4R will notify the owner, discuss the reasons, and obtain owner authorization.

C. Pets

If an owner authorizes a pet, LS4R requires an additional security deposit. **LS4R does not use the term "pet deposit."** By avoiding this terminology, LS4R can use the amount of the entire non-refundable portion of the pet deposit if there is pet damage.

Many tenants have or want pets. It is legal for property owners to discriminate against pets. You may wish to do so. However, whether you have or have not decided to allow a pet in your property, the LS4R application has a place for prospective tenants to list pets and how many. It is important to encourage full disclosure on pets while evaluating an application. If you do allow pets, LS4R will not place inappropriate pets in a property. A copy of the Pet Policy is attached hereto as EXHIBIT "B".

LS4R recommends to owners that when the property is on the market, pets are negotiable. This can solve two problems.

1. First, this encourages prospective applicant to disclose any pets. Then, based on the owner preference on pets, LS4R can automatically notify the applicant that the owner does not allow pets.

2. Second, by listing pets as negotiable, it avoids eliminating an excellent tenant who has an excellent tenant history and owns a pet that is suitable to your property.

D. Service animals

Service animals for handicapped persons are NOT pets by Federal law, and owners cannot discriminate against handicapped/disabled persons with a service animal. **FAIR HOUSING LEGISLATION DOES NOT ALLOW OWNERS OR PROPERTY MANAGERS TO COLLECT DEPOSITS OF ANY KIND FOR SERVICE ANIMALS** (Tenants must provide the proper service animal paperwork in order to waive the pet deposit which we do not charge for service animals).

However, landlords can still process applicants who are handicapped or disabled on the same criteria as other applicants: income, credit, and tenant history. If they fail to qualify in these areas, the landlord/manager can still deny the application, handicapped or not.

XIII. THE TENANT MOVE-IN

A. Applications

All persons 18 years of age and older are required to fill out an application, including any cosigners/guarantors, which requires a \$50.00 application to be paid per person.

B. Rent and security deposits

Prior to move in, approved applicants are required to pay a security deposit to hold the home if they will be moving more than 72 hours after approval. Upon lease signing, the security deposit is due (if it was not paid prior to move in) and 1st months' rent, if their move in date falls during the last five (5) days of the month pro-rated rent will be due at move-in as well. All must be paid in certified funds. After initial payments have been made, tenants are allowed to pay by personal check, money orders or cashier's checks or thru online payments.

C. Lease

Upon approval, funds are due at the time of lease signing or prior to, depending on the move in date. All persons 18 and over, including adult children, are required to read and sign the lease. If the accepted applicants are a foreign nationality and cannot read and understand the documentation, they must supply an interpreter of legal age for signing the rental/lease agreements.

D. Move-in inspection

A vital part of the rental agreement is a detailed move-in inspection performed with the tenant, documenting the condition of the property when they move in. Unless extenuating circumstances prevail, the LS4R leasing agent completes the move-in inspection with the tenant before the tenant takes possession of the property. The move-in inspection documents the condition of the property. When the tenant moves out of the property, there is a sound basis for the security deposit refund. LS4R also documents the move-in with digital photos.

E. Tenant education and preparation

Taking the time to prepare tenants for their residency is another step toward a successful tenant/landlord relationship. Additional forms that the tenants may need are available on the LS4R website. LS4R wants both owners and tenants to be well informed, as well as the tenant handbook.

XIV. WORKING WITH YOUR TENANTS

A. Collecting rent

Rent is due on the first day of the month and late if received on or after the fourth (4th) day of the month.

B. When rent is not paid

If LS4R does not receive rent by the due date, LS4R prepares and delivers a demand letter. The demand letter notifies the tenant that their rent is delinquent and asks them to pay in full within three (3) business days.

If LS4R receives the rent prior to issuing owner funds, LS4R does not contact the owner unless the LS4R management team determines there is an ongoing rent issue.

If the rent is not paid by the specified date, we file an eviction suit at the county courthouse. Very few of our eviction suits result in a physical eviction. However, the eviction suit is an effective tool to let tenants know that the rent must be paid. In most cases the tenants simply get current with their account and the eviction suit is dismissed. In the rare event that a tenant does have to be evicted, prompt filing of the eviction suit minimizes the time an owner has to carry a non-paying tenant.

C. Evictions

If an eviction is necessary, LS4R handles every part of the process. We will facilitate the filing of all necessary documents, monitor legal proceedings, attend court if necessary, hire a crew to perform a set-out by the county Sheriff/Marshall, and prepare the property to be marketed to a new tenant. Professional and correct legal action by a property manager both reduces the owner's expense in an eviction and avoids the risk of a lawsuit for wrongful eviction.

D. Notices of violation

LS4R serves notices as situations warrant, such as a notice to clean up the landscape, a notice to enter the property, a notice to perform survey/inspections, a notice regarding an illegal pet, illegal tenants, etc. These tenant violations may be in the form of a letter or a legal notice form. Often, these notices are simply to correct minor tenant problems and most tenants comply. However, if necessary, LS4R will contact the owner with the information to discuss the situation.

E. Tenant problems

LS4R has experience handling the wide range of tenant difficulties that can occur. The LS4R policy is to obtain good tenants, eliminating many tenant problems. However, even good tenants can have problems. LS4R treats each problem with a common-sense approach, follows Texas landlord/tenant law, and uses the appropriate documentation. If the situation is serious, LS4R contacts the owner and works to find a solution for the problem.

XV. MAINTENANCE

A. Preventive maintenance

The best approach to maintenance is preventive maintenance, and this is the LS4R policy. First, LS4R has already started with educating the tenant by:

- Completing a detailed lease which outlines tenant responsibilities regarding maintenance as well as owner obligations
- Completing a move-in inspection documenting the condition of the property before the tenant takes possession
- Supplying tenants with the LS4R *Tenant Handbook*, which provides additional instructions on the care of the property and how to request maintenance

We want the tenant to know from the beginning of their tenancy how LS4R expects them to care for the property. This proactive approach can prevent costly maintenance.

Next, we use preventive maintenance techniques when work is required and utilize competent contractors. Often minor expenditures save the most money such as doorstops, new filters, checking appliances, testing smoke alarms, adjusting doors, window latches, deadbolts and more. Many small repair items can prevent maintenance that is more expensive.

It is equally important to keep up with maintenance while the tenant occupies the property. Often people think no news is good news; this can be just the opposite. Instead, delayed news can become very bad news and costly to the owner.

LS4R Management will contact owners regarding maintenance above the \$75.00 limit that is listed in the LS4R Management contract unless the situation is an emergency.

B. Emergencies

When an emergency occurs, LS4R has policies in place for the property and tenants. LS4R notifies the property owner as soon as possible. The nature of the emergency determines the action needed by LS4R. There are times when a property manager must act in order to prevent great financial risk to the owner. For example, when a property has flooded, action is necessary, particularly if the property owner is not immediately available.

XVI. WHEN THE TENANT VACATES

A. Communication with owners and tenants

Seventy-five days prior to the expiration of a lease, LS4R notifies the owner in writing. LS4R asks for the owner's instructions: Shall we invite the tenant to renew for another year, or give the tenant notice that the lease will not be renewed? If we do not hear from the owner within two weeks, we assume the owner wishes us to renew the current tenant if possible. Sixty days prior to the expiration of a lease, LS4R invites the tenant to renew if the tenant's account is in good standing.

If neither the tenant nor the landlord gives notice of termination 30 days prior to the expiration of the lease, the lease will automatically go month-to-month and \$200.00 will be added to the rental amount. If LS4R receives no instruction to the contrary from the owner, the tenant will be allowed to stay month-to-month.

B. Notice to vacate

When there is a 30- days' notice to vacate, the move-out procedures with tenants are as critical as when LS4R moves in a tenant. The preparation for this really began when the tenant moved in with a detailed rental agreement, maintenance exhibit, walk-through, and LS4R *Tenant Handbook*. All of these documents gave instructions to the tenant on how to move out. Notice must be in writing in order to be valid.

C. Tenant move-out

LS4R conducts a walk-through similar to the one performed when the tenant moved into the property. LS4R records any maintenance required and discloses a list of damages to the vacating tenant. Digital photographs are taken when the tenant moves out to document the condition of the property and support any deductions from the security deposit.

After assessment of the tenant move-out, LS4R advises owners of any tenant damages or any maintenance required to re-rent the property.

D. Security deposit refunds

Proper handling of the security deposit refund is crucial. Any tenant deductions are determined in a timely manner, and a security deposit transmittal is prepared in accordance with Texas law. Owners receive a copy of the transmittal with their monthly statement, showing any deductions and monies refunded. LS4R shall have 30 days after move-out date to issue refund of security deposit, if any.

E. Collections

If collecting damages is required, LS4R will refer the matter to a qualified consumer collection service at the instruction and authorization of the owner. LS4R management does not include recovering tenant damages, but leaves this to companies with expertise in debt collection. LS4R will supply consumer collection companies with the necessary documentation needed.

XVII. ADDITIONAL SERVICES

The following are additional services offered by LS4R to each property owner. They are not included in the fees for managing the property.

A. Annual inspection

LS4R maintains properties as part of their property management services. This inspection goes beyond overseeing normal maintenance. A licensed home inspector performs this inspection and the purpose is to check the property thoroughly each year in order to perform necessary or preventative maintenance.

B. Extraordinary maintenance

Property management normally includes only routine maintenance. Large repairs and renovations are outside the scope of typical property management. LS4R will bid out repairs when needed and supervise the process through its in-house rehab management team.

C. Real estate sales

LS4R specializes in property management and working with buyers and sellers. VMD Realty, LLC is available for our owners' acquisitions and dispositions of properties.

D. Financing

Short-term financing is available for acquisition and rehab of properties through our affiliate Longhorn III Investments, LLC (www.longhorninvestments.com).

E. Legal Services

Hoffman & Kaliser PC, an affiliate of LS4R, is available to assist with corporate formation, corporate structuring, asset protection, estate planning, landlord/tenant disputes, asset purchases and a variety of other legal needs (www.hkmlawyers.com).

F. Title Services

Hoffman & Kaliser PC is a fee office for Excel title. Excel title closes hundreds of residential and commercial transactions each year.

XVIII. CANCELLATION OF MANAGEMENT

It is the goal of LS4R to satisfy your management needs and engage in a successful business relationship, but all things do change over time. Owners sell properties; people give notices. When this happens, the LS4R cancellation policy is to resolve your account in a professional, timely, and pleasant manner. Please review the following policies for cancellation.

A. Written notice

- The LS4R management contract accepts a 30-day written notice by either party.
- Your written notice must include your signature. You may convey this to us by U.S. postal mail, fax, or a scanned document by email attachment.

B. Notice to current tenants

- LS4R will notify current tenants of the date LS4R will no longer manage the property.
- LS4R will forward all security deposits to the owner.
- It is the owner's responsibility to advise tenants where to make future rental payments and work requests after the notice period.

C. Distribution of documents

- LS4R will supply current tenant documentation to the owner.
- If the owner has employed new management, LS4R will forward documents, keys, and any other necessary materials to the new management upon request by the owner.

D. Final distribution of funds

- LS4R will distribute funds, including security deposits, and final statements to the owner within 30 days of the terminating date of management, as agreed in the management contract.
- LS4R will issue a 1099 for funds collected during the current tax year when the tax year ends.

CONCLUSION

We hope you have found LS4R *Owner Guide* informative and useful. If you feel there is any other information LS4R can provide, let us know so we can include it in the future. Thank you for your business. We appreciate it very much.

EXHIBIT "A"

| | |
|--------------------------------------|--|
| Property Management Fee | 8-10% |
| Late Charges | 100% to Property Management |
| Advertising Fees | \$ 0.00 |
| New Lease Fee | 50% of 1 st Full Month's Rent |
| Renewal Fees | 25% of 1 st Full Month's Rent |
| Repair & Maintenance Fees | 10% of total repair/maintenance |
| Miscellaneous Fees | These will be on a case-by-case basis |
| Application fees | 100% to Property Management |
| Legal Fees | TBD |

EXHIBIT “B”

Pet Policy

1) 3 pets maximum, unless authorized by Owner.

a) \$500.00 per pet 25lbs and over, \$500.00 for 2 pets under 25lbs for both

b) **No Reptiles allowed.**

2) **We require a picture of each pet and records of vaccinations.**

a) All pets must have the required shots, licenses and tags including name tags.

i) The state of Texas requires that dogs and cats be vaccinated against rabies by 4 months of age and on a 1 year or 3 year basis thereafter depending on the type of vaccine used.

b) Other animal, such as birds and hamster, must be appropriately caged.

3) The tenant is responsible for cleaning up any “accidents” their pet has left inside the property and outdoors.

4) **The tenant is to pay for any damages their animal has caused and may lose their refundable pet deposit portion due to any damages assessed at move out.**

a) If any of the pet agreement is violated, or the pet becomes a nuisance or a hazard to others, property management will require the pet to be removed or can terminate tenancy. If only the pet is removed, this will have no effect on the validity of the signed lease agreement, which the tenant will still have to adhere to and there will be a fine.

5) **Breeds Not allowed (Exceptions to be approved only by Owner)**

Or anything mixed with the following

Caucasian Ovchark

Pitbull

German Shepherd

Rottweiler

Alaskan Malamutes

Huskie

Doberman Pinschers

Chow Chow

Wolf Hybrid

Akita Inu

Perro De Presa Canario

Fila Brasileiro

American Bulldog

- Saint Bernard
- Basenji
- Gull Dong
- Boer Boel
- Dogo Argentino
- Rhodesian Ridgeback
- Bull Terrier
- Cane Corso
- American Bandogge
- Tosa Inu
- American Bully
- American Staffordshire Terrier
- American Pit Bull Terrier
- Mastiff