

PROPERTY MANAGEMENT PROPOSAL



Superior Realty LLC

REAL ESTATE • PROPERTY MANAGEMENT

Brian Patrick, Broker/Owner

1195 Red Hawk Drive

Frisco, TX 75033

(972) 333-5270 ▪ (214) 291-2516



SuperiorRealtyLLC
REAL ESTATE • PROPERTY MANAGEMENT



*Brian Patrick, BROKER/OWNER
Certified Residential Specialist
1195 Red Hawk Drive ▪ Frisco, TX 75033
(972) 333-5270 (phone) ▪ (214) 291-2516 Fax
brian.patrick@att.net*

To: Property Owner

RE: Property Management Proposal

I am a Texas Real Estate Broker and Certified Residential Specialist, and my company is Superior Realty, LLC. I would sincerely appreciate your allowing my firm the opportunity to manage and lease your property. As a Real Estate Broker licensed in Texas, I will be personally handling your property as your broker property manager.

I have prepared this informal proposal to help you see the level of service that I will provide to you, and also to help you understand more about the North Texas leasing market and the process of leasing and managing your property. Information is included on my services, too. More importantly, I have extensive experience with commercial and residential property management representing both Landlords and Tenants to negotiate a successful agreement for a property lease and the subsequent management of the property.

The choice of a property manager should be based on many factors other than price, and hopefully you will make the decision to use the services of Superior Realty to lease and manage your property based on the company's qualifications. Superior Realty has the capability of advertising enhancing the lease of your property on the local MLS, Realtor.com and on the company's own custom website.

If you have any questions, please feel free to call me at 972-333-5270. Thank you for your consideration.

Sincerely,

Brian Patrick, BROKER®
Certified Residential Specialist



ABOUT BRIAN PATRICK



Brian Patrick

Brian is a licensed real estate broker with the State of Texas, and is the owner and sponsoring broker of Superior Realty, LLC. He graduated from the University of North Texas with a BBA in Administrative Management and Accounting. Brian was a CPA for 22 years until he changed careers thirteen years ago to work as a New Home Consultant for a major national homebuilder. As a new home consultant Brian was a top producer helping 250 North Texas families purchase new homes.

Although Brian's most recent experience is in residential home sales, he has also had extensive experience in commercial real estate as an asset management contractor for the Resolution Trust Corporation, negotiating on behalf of his clients nearly 400,000 sq. ft. in commercial real estate leases and almost \$20 million in class A office space. Brian holds the real estate designation of Certified Residential Specialist, or CRS.

In Texas, there are two types of real estate licenses. Most REALTORS® have a salesperson's license, which they obtain initially with minimum qualifications of 270 hours of real estate instruction. In order to obtain a Broker's license, a salesperson must work under a broker for four out of five years before he or she is eligible to become a broker. In addition, to obtain a broker's license, a salesperson must have an additional 630 hours of instructions in real estate or business and 3600 "points" worth of real estate transactions. For example, under this requirement the sale of one single-family home will earn the salesperson 300 points. Only 8 percent of all REALTORS® have their broker's license, and Brian Patrick has had a broker's license for over three years.

Property Management Services

Property Management Agreement

The relationship between Superior Realty, LLC and the real estate investor is established by the Property Management Agreement, which is included with this proposal. The agreement is usually for one year with an automatic month-to-month renewal unless one of the parties terminates the agreement with 30 days' notice. The Property Management Agreement gives the property manager a wide range of authorities, and establishes the terms to be used for leasing any properties covered under the agreement. The management agreement can cover one property or multiple properties.

Finding, assessing and acquisition of properties

Finding. Superior Realty will assist a real estate investor in finding properties to purchase for investment. This includes working with an investor to determine their investment budget, property criteria and income goals and objectives. Once the budget and income goals are finalized, then Superior Realty will search the MLS for properties that will most likely fit the criteria of the investor. Superior Realty's compensation for this service is the standard commission for representing a buyer in a real estate transaction, and this commission is paid by the seller's listing agent.

Assessing. When a particular property is located that fits the criteria of the investor, the localized market is reviewed to understand the achievable rental rates on a per square foot per month basis. For example, a community may have an average rate of \$.80 per sq. ft., so a 2,000 sq. foot house would lease for \$1,600 per month. The average days on market will also be researched to determine how quickly a vacant property can be leased after it is placed on the market. Finally, the community is evaluated to see if the schools are highly rated, there is convenient shopping and close proximity to thoroughfares.

Acquisition. When a "go" is received on a property, then Superior Realty works with the investor to acquire the property. An initial offer is made only after the comparable sales are evaluated. If there is an acceptance or counter-offer, then Superior works for the investor to reach an acceptable price. A 10-day option period is negotiated to permit the investor to conduct inspections to approve the property for purchase. After the inspections are completed, Superior Realty will help the investor negotiate for any required repairs or allowances. Closing the transaction is conducted at a title company recommended by Superior Realty. A licensed real estate inspector will be employed to inspect the home, and other professionals will be used as required.

Make-Ready for Leasing

After a property is acquired, it must be prepared for occupancy. In some cities, such as Little Elm, a Certificate of Occupancy is required before the city will allow the

owner to place a tenant in the home. Frisco at this time does not require the certificate of occupancy.

The property must be cleaned professionally and any repairs made. An Inventory and Inspection Report is completed by the property manager showing any conditions in the home that need attention. All air ventilation filters should be changed, non-working light bulbs replaced, and all plumbing, mechanical and electrical systems tested to assure an operational basis.

If repairs are necessary, they should be known and expected as a result of the property inspections conducted prior to acquisition. Most repairs should have been made by the seller before closing, or if an allowance was made then the property manager should have already lined up contractors to perform the repairs.

In the case of a home that has been leased and vacated by a tenant, the professional inspectors conducting the inspection at the end of the lease will identify any repairs that the tenant or owner will have to make. These should be done quickly to minimize the time to re-lease the property.

Locating a Tenant

Immediately after the property is acquired, Superior Realty will list the property for lease on the local Multiple Listing Service, or MLS. A sign will be placed on the property, a virtual tour or photographs will also be published on the MLS. Cooperating Realtors® will make appointments to show the property by calling Superior Realty and obtaining the access procedure for the lockbox. Even if repairs are not complete, a lease can be signed with a tenant with an occupancy date based on when the repairs will be complete allowing the tenant to move into the property.

Qualifying a Tenant

Superior Realty will require each person living in the home to complete a lease application and pay a \$40 application fee. The application will be reviewed by Superior Realty and a three-in-one credit application will be obtained from a local mortgage company to reveal the credit history of the tenant. A civil litigation and criminal background check will be conducted, and the tenants will be vetted with the sex-offender database. Rental references will also be checked to verify previous lease payments were paid on time and that the tenant left the prior property in good condition. Income of the tenant(s) will be verified with employers or tax returns. A recommendation report will be provided to the investor for final approval before a lease is executed.

Leasing to a Tenant

Once a tenant is approved, a lease will be prepared by Superior Realty under the terms agreed to by the investor. If the investor allows pets, a separate Pet Agreement is prepared for the specific pet allowed on the premises. If the home has a pool, then a

Pool Maintenance Addendum is also prepared. The property manager is authorized to sign the lease agreement on behalf of the property investor under the management agreement. It is standard in the leasing market to require a security deposit equal to one month's rent, and to collect the first month's rent at the beginning of the lease. Rent can be prorated if the lease commences during the month instead of the first of the month. Pet fees and pet deposits are also collected at the beginning of the lease. A copy of a standard lease, pet agreement and pool addendum are included as Exhibit C.

Delivery of Premises to Tenant

The delivery of the premises is a critical time in the lease transaction. The property manager uses a professional property inspection company to prepare a 22-page pre-lease delivery inspection report that establishes the condition of the property at the time it is delivered to the tenant. The inspection report includes over 75 photographs of the property that help establish the condition at the time of delivery. The tenant signs the inspection report to acknowledge the condition. The cost of the inspection report is only \$70, and the tenant is responsible for paying this cost. Periodic inspections are also available from this company to ensure lease compliance.

Property Management Website

Superior Realty LLC offers online access to property records to both owners and tenants. The website address is:

<http://www.SuperiorRealtyPropertyManagement.com>

This website is designed to provide a portal to owners for reviewing property documents, financial records, and financial statements. In addition, Tenants have a portal to review their lease documents, financial transactions and communicate maintenance requests. The website also generates automatic lease charges by email, and tracks and bills late fees. Prospective tenants are able to search available inventory properties and apply on line to lease a property.

Repairs and Maintenance

The tenant has a responsibility to maintain the property and prevent damages, and the property owner has general responsibility to maintain the equipment in the home. Texas Property Code does not allow the property owner to charge the tenant for items that wear out or break during the tenant's occupancy. The tenant is only responsible for paying for the repairs of any damage caused by the tenant.

For example, if an air conditioner fails and has to be repaired or replaced, then the property owner is responsible for the cost of repair or replacement, unless it can be determined that the tenant caused the damage. In the case of the air conditioner, if a tenant fails to replace the air filters and subsequent damage occurs, then the tenant will pay the cost to repair the damage to the HVAC system. The obligations and duties of

the tenant for maintaining the property is explained to the tenant at the beginning of the lease, and a tenant property guideline book is provided to the tenant as well. A copy of the Lease Property Rules book is included as Exhibit D.

Accounting

Superior Realty invoices the tenant on the 20th day of the month for the next month's rent, which is due on the first day of the month. The invoices have a return address envelope and a payment stub for the tenant to use. If a tenant chooses to use a "deposit only" debit card, then they make their rent payment at any ATM and the rent is available for distribution to the Management Company and investor on the next business day. Deposits, lease payments and other tenant payments are deposited into a trust account maintained by Superior Realty. In addition to invoices for monthly lease payments, Superior Realty also invoices the tenant for maintenance charges and late fees, if any occur.

Distributions to owners are on the 5th day of the month after the tenant's rent is received and available at the bank. Checks are written to the owner and accompanied by a report indicating the rental amount received, less any expenses and the management fee. Payments can also be made electronically to owners. An annual report is issued to the owner showing the total lease payments received with deductions for any property maintenance expenses and management fees. Examples of the tenant invoices and monthly reports to owners are available upon request.

Maintenance

As property manager, Superior Realty will respond to repair requests by tenants and will also initiate repairs based on initial or periodic inspections of the property. Repairs costing more than \$100 will be approved in advance of the commencement of work, unless a delay will cause additional damage, such as a plumbing leak.

Superior Realty has a number of qualified contractors such as plumbers, electricians and air conditioning technicians that can make repairs to the property at a reasonable cost.

If the property is acquired by the investor through Superior Realty, a home buyer's warranty should be purchased and maintained on an annual basis to cover the costs of repairs, such as the repair or replacement of the air conditioning system. If there is a homeowner's warranty in place, there is a small amount (often only \$60) for each repair call. If, for example, there are three faucets that are leaking, then a single \$60 charge will cover all three faucet repairs.

The owner will maintain a small amount in the trust account held by the property manager to pay for repairs as they occur, but if greater funds are required the property owner may be required to advance funds to pay for the repairs before the work is started.

Disputes with Tenant

In the event that a dispute arises with the tenant over late payments, unpaid rent, unpaid maintenance charges or any other breach of the lease, Superior Realty will engage in enforcement action to correct the situation. As a property manager, the Texas Property Code allows a professional property manager to take legal action against a tenant to collect rents and force eviction. If this is necessary, Superior Realty will file the necessary documents with a local justice court to evict a tenant or sue for collection of other amounts owed.

Eviction of Tenants

Tenants who breach the lease for non-payment of the lease or other non-rental issues can be subjected to eviction proceedings at a county court authorized to handle these civil matters. The county where the property is located establishes the jurisdiction for the eviction suit or civil suit to recover costs to repair damages. In the event that the tenant's security deposit is insufficient to recover the cost of repairing any damages, then a civil case can be brought against the tenant in a justice of the peace court in the county precinct where the property is located.

Superior Realty will represent the property owner in the eviction or civil suits at a cost of only \$75 per hour. The usual cost of an eviction representation is \$150 to \$225, depending on the number of hearings. Normally, only one hearing is required. After the eviction judgment is awarded by the court, a writ of execution can be obtained five days after judgment to remove the tenant and all of the tenant's possessions from the party.

Property Inspections

The initial 90 days a tenant is in a property there will be one or two property visits to the property with an interior walk through to ensure that the property is well-maintained by the tenant and that the tenant has not made any changes to the paint or flooring of the home. Air conditioning filters are inspected to ensure that the tenant is replacing them on a scheduled basis, and any repair issues are discussed with the tenant. The outside yards are also viewed to assure that there are no unauthorized pets on premises. Photos of problem areas will be taken and remedies discussed with the tenant.

Termination of Lease

The lease terminates at the election of the tenant or property owner upon providing 60 days' notice before the end of the lease or any renewals. The property is put on the market for lease as soon as the notice is received from the tenant or given to the tenant by the property owner. During this 60 day period, the tenant is required to allow access to the property to any Realtor showing the property, and a lock box is placed on the front door with a key for entry.

When the tenant vacates the property, the property inspector will again visit the property to prepare an after-lease property inspection report. If there are any discrepancies or repairs noted on the report, the tenant is notified that there will be a charge to make the repairs or clean the property.

The tenant has a security deposit equal to one month's rent in most cases, and this money is held until all final repairs are made. The property manager is responsible for issuing a final report to the tenant indicating the status of the security deposit and what charges, if any, are to be deducted before returning the deposit to the tenant.

Typical charges include cleaning, removal of trash and debris, painting, carpet replacement, etc. These repairs are done by a licensed contractor in most cases, or with general labor where a licensed professional is not required.

Service Fee Schedule

The fees associated with our property management services are broken down into several areas:

1. Commission – There is a fee of 75% of one month's rent to procure a tenant for the property. If a tenant is represented by a Realtor, then that Realtor's commission is paid by Superior Realty from the fee received on the commission.
2. Management Fees – The management of the property on a monthly basis is covered by a 5% management fee that is deducted from the rent paid by the tenant before it is submitted to the property owner.
3. Repair oversight – In the event that repairs are required on the property, a 10% fee is charged for the oversight of the contractors and vendors involved in the repair. Minor repairs costing less than \$100 are not subject to the oversight fee.
4. Eviction – On the event that a tenant must be evicted from the property for a breach of the lease, Superior Realty can represent the property owner in the eviction proceedings. There is an hourly charge of \$75 per hour for this service, plus any court costs for filing and process service.

The fees are usually deducted from the funds received from the tenants during the leasing process. The first month's rent and security deposit will usually be sufficient to pay the leasing commission and property management fee.

Summary

Superior Realty will provide property management services to care and maintain the investment of the property owner. The ownership of rental property can be rewarding if it is managed property using established standards for managing real estate. Brian Patrick has had over 13 years of commercial and residential property

management experience and over 24 years of experience as a certified public accountant.

SUPERIOR REALTY LLC

COMPENSATION

COMMISSIONS AND MANAGEMENT FEES– Superior Realty, LLC has several programs to help property owners lease their residential property. Specific details can be reviewed at a meeting.

1. **Management Fee** – Property owners using Superior Realty to lease and manage their property sign a property management agreement with a management fee having a rate of 5.0% on the lease payments collected each month, which is deducted from the lease payment before remitting it to the owner.
2. **Commission** – The commission for finding, assessing and acquiring a tenant is 100.0% of one month's rent. This is shared with the Tenant's Realtor.
3. **Cooperating REALTORS®** – If the tenant *is not* represented by a cooperating broker's REALTOR®, then Superior Realty's commission fee will be 75.00% of one month's rent.
4. **Maintenance Oversight** – As your property manager, Superior Realty LLC will engage and supervise repair and maintenance contractors for work if necessary, and a fee of 10% of the contractor costs will be charged to the owner of the property.
5. **Sale of Property** – If a property owner sells the home to a tenant, a commission of 3.00% will be charged as a fee to represent the owner in the sale of the property. If the home is sold to another party, the commission will be 6.00%, which is shared with the buyer's broker. If the buyer is not represented by another Realtor, then the commission is only 3%

BENEFITS OF SUPERIOR REALTY, LLC MANAGING YOUR PROPERTY

- Experienced – Brian Patrick has personally negotiated over 300 residential property transactions valued in excess of \$55 Million Dollars. He has also negotiated over 450,000 sq. ft. of commercial office property leases.
- Licensed Texas Real Estate Broker – Brian is a licensed broker, not just a licensed salesperson. A licensed broker must have 4 years' experience as a real estate licensee as well as 900 hours of education. As a graduate of the University of North Texas (management and accounting majors), Brian exceeded the educational requirements of becoming a Broker. Fewer than 8% of REALTORS® possess this license.
- Brian is a Certified Residential Specialist and a member of the Council of Residential Specialists with a broad spectrum of other CRS members for referrals of relocating homebuyers.
- Fewer than 4% of all REALTORS® in the United States hold this designation.
- According to the National Association of REALTORS®, Over 92% of tenants indicate that they searched the Internet for their homes before attending a showing of the home. Superior Realty has an Internet marketing strategy to place itself in a position for these purchasers to see properties listed by the company.
- When lease properties are listed with the MLS by Superior Realty, 80% of these homes lease through another REALTOR®. This is because there are over 20,000 REALTORS® using the North Texas Real Estate Information Services (NTREIS).
- Brian Patrick is experienced in commercial and residential property management, and can also provide property tax consulting for property owners.
- Superior Realty LLC is rated with an A+ rating with the Better Business Bureau of Metropolitan Dallas. The BBB review process includes investigation of licensing, business practices, marketing and advertising policies. The company must also include a privacy policy on its website. Very few real estate Brokerages are members of the BBB. To review the company's Better Business Bureau report, use the following web address:

<http://dallas.bbb.org/Find-Business-Reviews/>