

PROPERTY OWNER'S HANDBOOK

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THE MANAGEMENT TEAM

GOAL:

To provide the most cost effective, comprehensive, consistent real estate management service for small to intermediate investors available in our market area.

PURPOSE:

To glorify God by being a faithful steward of all that is entrusted to us. To have a positive influence on all who come in contact with us.

THE COMPANY:

Presently representing hundreds of property owners and/or institutions, Underill Management Company and Underill Realty, Inc. have been providing real estate property management and asset management services in Brevard County to thousands of owners since 1974. The firm's capabilities include fiscal management, budgeting, facilities leasing, maintenance management, facilities planning and marketing properties.

Our emphasis over the last several decades has been to provide full service property management for owners of small residential properties. Our fully computerized financial accounting system allows our clients to receive, on a monthly basis, complete and detailed financial statements and tenant information including cash flow statements, balance sheets, income and loss statements, rent rolls, tenant detail, general ledger and other reports as may be necessary.

Underill Management Company provides property managers, twenty-four-hour maintenance service capabilities, and depth of knowledge on real estate matters, including rental marketing, collection, tenant placement and other matters as they may affect rental properties.

In addition to the thousands of small investors serviced by Underill Management Company over the years, the company has provided property management services to the Resolution Trust Corporation (RTC), the Federal Deposit Insurance Corporation (FDIC), Harbor Federal Savings and Loan Association, First Union National Bank, Nations Bank, AMRESKO, Barnett Bank, First Florida Bank, N.A., and the Eighteenth and Nineteenth Judicial Circuit Courts of Florida. Individual members of the firm are members of the Institute of Real Estate Management (IREM), the Central Florida Chapter of IREM, the Realtors National Marketing Institute, the National, State and Local Association of Realtors and the Multiple Listing Service of South Brevard.

THE PEOPLE:



CERTIFIED PROPERTY MANAGER®

H.J. "Buz" Underill III, CCIM, CPM, SRS

Mr. Underill graduated from the University of Florida and the University of Florida Graduate School with a Master of Business Administration (MBA) degree in Real Estate and Finance. A lifelong resident of the Melbourne, Florida area, he has been actively involved since 1974 in the day-to-day operations of his firm specializing in real estate property management, commercial and residential real estate brokerage and land development. He is presently President of Underill Group, Inc., the holding company for a family of companies providing property management, real estate brokerage, land development, consulting and other services for the real estate investment industries.

A real estate investor, Mr. Underill has owned and still owns a number of rental properties including small apartments, single-family houses and office buildings. He brings an owner's perspective to the management business.

Mr. Underill has received the Certified Property Manager (CPM) designation awarded by the Institute of Real Estate Management, the Certified Commercial Investment Member (CCIM) designation from the CCIM Institute as well as the professional designation of Specialist in Real Estate Securities (SRS) by the Real Estate Securities and Syndication Institute. In addition to his active participation in his practice, he has attended and successfully completed numerous industry seminars and courses dealing with marketing, disposition of assets, property and asset management as well as taxation. Underill has served as court-appointed receiver in the Eighteenth and Nineteenth Judicial Circuit Courts of Florida and has also appeared as an expert witness on real estate matters in several Judicial Circuits in Florida. A real estate instructor and author, Mr. Underill has held numerous state and national offices with real estate trade associations. He is

affiliated with and has been a member of the Greater South Brevard Area Chamber of Commerce, the South Brevard Development Committee, the Local Industry Council, the National Association of Office and Industrial Parks (NAOIP), the Community Association Institute (CAI), the Real Estate Securities and Syndication Institute, the Central Florida Chapter of the Institute of Real Estate Management, the Florida and National Associations of Residential Property Managers, the Local, State and National Associations of Realtors, board of directors of the South Brevard Sharing Center and is a past Chairman of the Melbourne Downtown Redevelopment Authority.

Sharon Underill, Vice President – Administrative Operations

Sharon Underill has been affiliated with Underill Management Company since 1980 and has been a resident of South Brevard since 1973. Since affiliating with the company, Ms. Underill has performed a variety of functions for the company including project manager, administrative assistant, bookkeeper and property manager. Since 1985 she has been responsible for collections, risk management and administrative operations.

Ms. Underill graduated with high honors from the University of Florida and has a Bachelor of Science degree in Psychology. She also has a strong background in accounting, insurance and risk management. Ms. Underill is a member of the National and Florida Association of Realtors, the Melbourne Area Board of Realtors and is a past Secretary of the Junior League of South Brevard. She holds a real estate broker's license, served on the board of directors of Club Esteem and was appointed by Governor Bush to the Children's Services Council.

Whitney Underill Wakley, ARM®

Mrs. Wakley, a lifelong resident of South Brevard County, has received the ARM® (Accredited Residential Manager) designation awarded by the Institute of Real Estate

Management (IREM). She has also successfully completed a number of continuing education, property management and related courses including "Financial Analysis for Commercial Investment Real Estate", "Market Analysis for Commercial Investment Real Estate" and "User Decision Analysis for Commercial Investment Real Estate", all offered through the Certified Commercial Investment Member (CCIM) Institute. After graduating with honors from the University of Florida, Mrs. Wakley designed web sites and virtual tours for professionals in the real estate industry.

Support Staff

In addition to the individuals named above, Underill Management Company employs a capable staff experienced individuals. Disposition and other sales activities are handled by the licensed sales staff of Underill Management Company's affiliate, Underill Realty, Inc.

FREQUENTLY ASKED QUESTIONS

1. How long has your company been in business and are you licensed, bonded and/or insured?

The Underill family has been providing real estate property management services to Brevard property owners since the mid 1950s. We have been providing property management services in South Brevard since 1973. We are licensed, bonded and insured. We have been operating from our present location since 1978.

2. Are your company, or its principals, members of any professional real estate and/or trade association?

We are members of the Institute of Real Estate Management, the National and State Associations of Realtors, the Melbourne Area Association of Realtors and the Multiple Listing Service of South Brevard.

3. How long does it take to rent my property?

Time of the year, the time of the month and rental prices will have some bearing as to how quickly a property rents. However, we typically rent most properties within days of the property being ready for occupancy. In many cases we have a qualified tenant approved prior to the existing tenant moving out. This is because we can begin marketing your rental property at the moment it becomes rent ready or as soon as the current residents give us their 30-day notice of their intent to move out.

4. How do you market my property?

Having been the largest residential property Management Company in our market area for the last several decades, we enjoy a strong reputation in the community, which results in a significant number of rental inquiries on a daily basis. In addition, we receive daily calls from prospects referred to us from area Realtors because of our reputation and our large inventory. We provide generic and institutional advertising in local media...from yellow pages to newspapers. Individual properties are advertised

with signage, on numerous Internet sites, the multiple listing service and, where appropriate, specific ads in local publications.

5. Who pays for advertising my property?

All institutional advertising, signage, generic ads, listings on the Internet and the Multiple Listing Service are paid by the management company and are included in our management fee. For specific property advertising as requested by you or if, in our judgement the property is in some way unique and requires specific advertising, the owner will reimburse us for our advertising expenses. A typical ad in a weekly publication would be approximately \$10 - \$15. With the effectiveness of our internet advertising, we rarely need to utilize print media.

6. How do you qualify prospective tenants?

An attribute of a good property management company is its ability over time to continually place qualified tenants. Although no one bats a thousand and we certainly do not possess a crystal ball, we pride ourselves in renting to qualified tenants. Our qualification process goes beyond the standard "credit check" to include background checks on criminal history, [sexual offender & terrorist search], a central Florida court search to see if the applicants have ever been evicted, and a "skip report" to see if the prospective tenants have ever left a property without paying rent. In addition, we verify employment, income and references from previous landlords. We utilize certain proven criteria and ratios in approving tenants for your property. Depending upon the situation, we may require a sponsored guarantor or additional security deposits prior to a resident taking occupancy. Although "life happens" to people along the way - divorce, loss of job, serious illness, etc. - these policies have minimized the problems associated with "bad" tenants.

7. Do your property managers receive a commission for placing a tenant in my property?

Absolutely not. It has been our experience over the years that the payment of a commission to the property manager for placing a tenant in the property creates a conflict of interest. When being paid a commission to place a tenant in the property, managers may overlook warning signs or otherwise compromise the screening process

in order to place a marginal tenant in the property because of the rental commission. Many years ago we compensated our managers by paying them for the placement of the tenant. After we realized the inherent conflict of interest and adjusted our compensation plan, we experienced a tremendous decrease in evictions, late payments, damages and other issues that are directly related to proper tenant screening.

8. You don't pay your managers for placing tenants, however the owner is charged for tenant placement. Where does that money go?

Those funds are utilized to compensate licensed real estate leasing agents for showing the property, screening the applicants, obtaining the necessary criminal and eviction reports, as well as for the verification of employment, income and references. We also utilize these funds to compensate other brokers in the real estate community so that they will actively assist our company in locating quality residents for the properties we have under management.

9. What if I, the owner, find a tenant?

If you, as the owner, provide a tenant for qualification and subsequent rental, the leasing fee to Underhill Realty will be \$250 in lieu of one half of one month's rent. Your tenant will be required to complete our rental application and pay the appropriate application fees and will be subject to our rental qualifications. The tenant shall pay the necessary deposits and other payments to the Management Company and execute our rental agreement prior to occupancy.

10. Do you use "standard" rental agreements?

We do not use "standard" or "generic" rental agreements for the properties we are managing. Although our rental agreements are fair and reasonable, they are biased in favor of the landlord. Our rental agreements are attorney reviewed and are continually updated as changes in law and/or liability issues are determined. A properly drafted rental agreement can protect an owner and save thousands of dollars in unnecessary expense and litigation. In our experience, "standard" and "generic" agreements are not comprehensive and do not adequately protect the property owner.

11. Who determines the amount of the monthly rental?

The market will be the ultimate determining factor of the rent a given property will generate. However the manager, together with the owner, will determine the proper rental range for the property. As a manager is compensated based upon the revenue generated by the property, the manager's goal is to maximize the property income over time. A balance between maximum rent and minimal vacancy is the goal.

12. When can I expect to receive the monthly rental statement?

We close the financial monthly accounting on the 27th or 28th of the month. The check for the amount of the rent less any expenses or reserve replacement incurred during that month, together with appropriate accounting for that month, will be mailed to you on the last day of the month. In the event the last day of the month falls on a Sunday it will be mailed to you on the prior day. Depending upon your location and the U.S. Postal Service, you should have your check and statement prior to the fifth of the following month. For example, your check and statement for the month of September would be mailed on the 30th of September and you should receive both the check and the statement prior to October 5th.

13. In what month can I expect to receive the full rent less management fees?

Normally in the third month, assuming there are no excessive maintenance or repair items. In the 1st month a tenant placement fee will be deducted from rents. In the 2nd month the rent will normally be a pro rated rent equal to the rent from the day of move in to beginning of the following month. Beginning with the 3rd month cash flow should stabilize.

14. What type of detailed accounting can I expect per month?

You can expect a cash flow statement that shows all income received for the month together with any expenses paid on your behalf for that month. In addition, you should receive a maintenance summary detailing any work that was done on your property in the given month. As we are fully computerized with state of the art

property management software, we can provide additional reports or customized reports for you. Some reports would be at an additional cost.

15. How often are property inspections conducted?

We typically perform at least three (3) inspections during the term of the resident's occupancy. Two of these inspections are "drive by" inspections and one inspection must be an interior inspection. Certain items observed during a drive by inspection would be cause for an immediate interior inspection. In addition, we always inspect the property after the tenant has vacated the property and prior to the new resident taking possession. We perform an interior inspection before any renewal.

16. How are rental collections handled?

We are aggressive in collecting your rents. Although we realize that life and circumstances are part of everyone's existence, we aggressively pursue delinquent rents. In cases where situations warrant, we will refer residents to agencies with outreach programs that may assist them in their financial needs. If the tenant leaves owing money, we will report him/her to national credit bureaus and make several collection attempts. We do not file lawsuits nor hire attorneys for collection purposes. We will provide the owner with our data in the event they wish to pursue the matter in court. If the property is still under management at the time of collection, our company will receive, in addition to a sum equal to the management fee, a collection fee of 25% of the amounts collected by our company that are over 3 months old. Properties not currently under management incur a higher collection fee based upon our policy at the time of collection.

17. How are late fees handled?

Late fees are paid to the Management Company to compensate for the extra time and expense involved in collections. These late fees are billable to the Resident. In rare cases when the tenant has not paid the late fees within sixty days, the late fee is credited to the rent payment and the Owner's account then is reimbursed for any shortage either upon payment by Resident or from the security deposit when the tenant moves out.

18. How are maintenance problems handled?

All maintenance items and maintenance requests are made through our management company. We require written requests for non-emergency items. Emergency maintenance calls are handled 24 hours a day, 7 days a week, 365 days a year. When the office is not open these calls are automatically transferred to the appropriate person for handling.

19. Do you have your own maintenance staff?

A number of years ago we had our own in-house maintenance staff, however we found that in many cases we could not be competitive in providing quality services for our owners. In addition to this lack of competitiveness, we realized there was a large potential for conflict of interest when it came to matters of authorizing maintenance service work on behalf of owners when utilizing an in-house company. We elected to eliminate our in-house maintenance capabilities and some of the inherent conflicts of interest and now primarily utilize licensed, insured vendors for all maintenance requests. Due to the large volume of maintenance generated over time through our management company, we have found that we are able to negotiate superior service and exceptional prices, many of which are passed on to the owner.

20. Who pays for maintenance?

It depends upon the type of maintenance and who is required per the terms of the lease agreement to maintain the item in question. In general, if the tenant breaks it, he is responsible for the cost of the repair. For repairs that fall under the category of normal wear and tear, structural issues, plumbing, A/C and roof matters, the owner is typically responsible for maintaining these items. If it is the resident's responsibility, we will bill the resident. On occasion, it may be paid from the Owner's account to be reimbursed by the Resident.

21. Why do you charge a "service fee" on maintenance?

As a diverse management company, we have owners with many different types of properties as well as different management philosophies and economic capabilities. Some of our owners have properties that are older in nature and require more maintenance. Some of our owners are undercapitalized and tend to defer maintenance rather than maintaining the property through a preventive maintenance program. Some of our owners have new properties that are under warranty and some of our owners are very aggressive in immediately replacing and repairing items before they become a problem. Properties that require maintenance require much more "touch time", labor and administrative reviews than those properties which do not require maintenance. In order for us to be fairly compensated for the additional work and expense incurred by maintenance activities, we could attempt to anticipate the extra expense involved in handling maintenance items and increase our management fees accordingly. Increasing management fees across the board would not be fair to those individuals whose properties do not require, for whatever reason, maintenance activities. So rather than increase management fees across the board, we have elected to continue to offer our management services at the same rate we have been offering them since 1973 and charge a service fee for those utilizing the maintenance service on a case by case, property by property basis. This allows us to be compensated for the time involved in properly handling maintenance activity while allocating this associated cost to those using the service.

22. Do you receive "kick backs" from your vendors?

No, unlike a majority of management companies, we do not receive any "kick backs" from the vendors we utilize to maintain the properties. We select our vendors based upon their ability to provide professional services at competitive prices, and who stand behind their work and product rather than their willingness to kickback a portion of their charge.

23. Do you "advance" funds for repairs?

We are not in the lending business and require each property to maintain a minimum balance that can be utilized to handle emergency repairs. For non-emergency items, we will not issue a work order until sufficient funds have been received by our company. We do have the ability for owners to utilize Visa or MasterCard for some repairs. There is normally a "convenience fee" charged for the use of credit cards.

24. How are evictions handled?

In the event of an eviction, (although rare), attorneys will be necessary and the expense will be an expense of the owner.

25. In times of hurricanes or other severe weather how is the extra work handled?

Due to the uncertainty of future events, the management company budgets and establishes fees based upon the assumption that there will be no natural disasters, severe weather or other events that will require additional labor or other costs to the management company. In an attempt to offset the managers' expense in dealing with the increased workload and expense occasioned by severe weather, the management company shall receive, any time the property is located within a tropical storm/hurricane watch zone as determined by federal agencies, a severe weather fee not to exceed \$250 per storm. This fee assists in offsetting the additional cost incurred by the management company as a result of the storm. Although this policy has been effect since 1995, the management company has only assessed the severe weather fee three times with an average severe weather fee of \$41.67. Several times properties have been located within a tropical storm/hurricane watch but fees were not assessed as the storms did not create significant additional work load for the management company and therefore no adjustment was necessary.

We will only erect pre installed, pre-cut hurricane panels of aluminum or synthetic plastic, no plywood. They must be fitted and all components must be on site prior to time of installation. The owner will need to notify us in writing no later than six (6) days from anticipated landfall of a named storm. We will not accept any written authorizations after five (5) days prior to anticipated time of impact of a named storm. The owner will be charged the vendors' fee plus our 7%.

26. Who handles insurance claims?

It is not within the scope of our management company's responsibility or expertise to assist the owner in the administration of insurance claims, fire restoration, disasters, or catastrophes in cases involving property damage, personal injury claims, or liability

claims. The owner will handle any insurance claims exclusively. Although our company will provide reasonable assistance and access to information at our disposal, if we are required to participate in special services such as court appearances, depositions, conversations with attorneys, auditors, appointments or conversations with insurance inspector/adjusters, or background investigative work involving any legal action or insurance claim, then we shall be compensated at the hourly rate of \$95 per hour.

27. Are you the cheapest Management Company in town?

Our fees are competitive and fair. If you have a short-term view you may find other companies willing to find a tenant and collect rent for your property for a slightly lower management fee. In some cases, this might work out fine... if you are lucky. Unfortunately, every year we have a number of owners who do not understand the complexities and liability involved in property management and assume all property management companies are equal. After losing thousands of dollars they come to us to properly manage their investment. Most intelligent investors willing to turn over the day-to-day management of a \$150,000 plus investment desire full-time professional property managers with a track record to manage the property at a fair and reasonable price. Property management is much more than collecting rent and unstopping toilets. Most astute investors take a long-term view. When looking with a long-term view we are probably the most cost effective Management Company in the market.

28. Do you give discounts for owners with multiple rental properties?

Yes, please contact us for specifics as our pricing structure depends upon the number of units, the location of the properties and the gross rental income.

29. Is property management Underill Management Company's only business?

Yes, Underill Management Company's only business is real estate property management. We are in the business not as a sideline, not as an opportunity to generate listings but as a full time business with highly trained professional employees to provide the best property management services available at a competitive price.

30. How do you select a property manager for my property?

A number of items are taken into consideration when deciding on a particular manager for a particular property such as: the geographical location of the property (we like to have managers live in the areas of the properties they are managing, if possible), the complexity of the property, an existing relationship with the Owner, and the size and make up of the manager's overall existing portfolio among others.

31. How long can I expect to have the same manager?

We generally like to change managers for a property on a routine basis. It allows different managers with different perspectives and a different "set of eyes" to review and analyze each property. We find that the "new" properties and "new" Owners rejuvenate our managers and after a short learning curve we produce better service for our owners. In some cases, managers will be changed as they move from one level of management to another, or when we restructure their portfolio- many times to concentrate their activities to a smaller geographical area. Sometimes a manager in training does not live up to our expectations and is replaced, and sometimes "life" just happens to our managers- illness, job transfer, divorce, etc.

Unlike many local management companies, you do not have a manager, but a management team, with team members behind the scenes monitoring and handling a great deal of the management activities.

32. What if I want to sell my rental property?

Your management agreement does not prohibit you from selling your rental property. However, should you elect to sell the property to a tenant or previous tenant who was placed by our company, we would be considered the procuring cause of the sale and would receive a commission upon the sale.

33. Can I sell my rental property without owing Underill any commission?

Yes. You can list the property with another Realtor or sell the property to anyone other than a current or past tenant and not be obligated to us for a real estate commission.

34. Is Underill Realty a member of the Multiple Listing Service?

Yes. Underill Realty is a full-service real estate brokerage company and a member of the multiple listing service, with over 54 years' experience in residential real estate sales in Brevard County... over 32 years under the current management. Although you may use another Realtor to market your property if you wish, other owners have found that by using Underill Realty they obtain the same advantages as when utilizing other members of the Multiple Listing Service, but have the added value of coordination with the tenant to facilitate showing and closing on the property.

35. Does the management agreement give a "sales listing" on my property?

No. You may list with any other Realtor you want. However, you may find it more convenient to have a company affiliated with the Management Company to handle the sale, as it is easier to coordinate showings and tenant relocation to facilitate the sale. Underill Realty handles a number of sales for owners every month.

36. What if I want to buy additional rental properties?

Because we have a large rental portfolio, we usually have owners interested in selling their investment properties. These properties generally come with qualified tenants, and we usually have maintenance and rental history regarding the properties. We can also assist owners in acquiring properties not managed by us, if necessary. Multiple property owners may qualify for discounted management fees. In addition, if you purchase a rental property through Underill Realty, you may qualify for several months of free management services by Underill Management Company.

37. Can I move back into my rental property?

Generally, the tenant has the right to live in the property without interference until the end of the tenant's lease.

HOW TO CONTACT US

We believe that communication is an essential ingredient in the success of any management relationship. In today's business environment, no one can assume to know or read the mind of another, or to be certain of their goals and objectives. Therefore we have gone to great lengths to provide an opportunity for communication between our company and the owners we serve. This "Property Owner's Handbook" was created for the sole purpose of assisting you, the property owner, to have a better understanding as to who we are, what you can expect from our services and how to contact us in the event you have questions or concerns pertaining to your investment property.

As we have many owners located around the globe, we want to be able to provide a number of ways in which property owners can contact us at their convenience. We can be contacted as follows:

1. By telephone at: (321) 242-2224

In order to be more efficient in routing calls, our phone is answered 24 hours a day, 7 days a week, 365 days a year by an automated attendant. Following the prompts will direct you to the individual most capable of responding to your needs. If you know your party's extension, you can enter it at any time and your call will be immediately directed to their desk.

2. By voice mail:

Our voice mail system is active 24 hours a day, 7 days a week, 365 days a year. Call the office at the above referenced number. You will need to follow the prompts or enter your party's extension number. Leave your message when prompted. Our voice mail system is capable of handling messages of several minutes in length so please leave a detailed message. This will allow the property manager – or other party – the ability to quickly move forward in fulfilling your request or in gathering the necessary information to respond to your inquiry without wasting valuable time in trying to contact you to see how we can serve you. Please remember to leave any contacting method or number (i.e. email address, telephone number or fax number) you wish the party to utilize in responding to your call. Our managers and leasing agents spend a great deal of time outside of the office inspecting or showing

properties and are constantly checking their voice mail. Leaving your telephone number or other contact information will allow them to respond to your call in a more timely fashion.

You can always talk to a live operator by pressing "0" at any time during our normal business hours of 8:30am to 5:30pm (Eastern Time) Monday through Friday. Depending upon the matter, the live operator will probably place you in the appropriate voice mail so that you can leave a detailed message. It has been our experience that messages taken by live operators are slower to reach their intended recipient and are lacking in important detail that would otherwise be communicated via the voice mail. We strongly urge you to utilize our voice mail capabilities.

3. By Fax to: (321) 259-4893

You can expect that our fax machine will be on 24 hours a day, 365 days a year.

4. By email:

You can request the email address of your specific property manager or send inquiries to info@underill.com or to propertymanager@underill.com. Our web site at www.underill.com will provide you with links to your manager's email address. You can expect that we will check our email daily, Monday through Friday. Individual managers will check their email several times daily on days when they are working in the office.

5. By U.S. Postal Service or courier to:

**Underill Management Company, LLC
490 N. Harbor City Blvd.
Melbourne, Florida 32935**

6. By Internet: www.underill.com

You will find our updated "Property Owner's Handbook" on our website. In addition, you will find copies of our current management agreement and the answers to many other questions regarding our company's policies and procedures. You may also use this address to contact your property manager or other departments of Underill Management Company.