



The Caravan Properties, LLC Team

Providing Professional Real Estate Counseling, Property Management and Investment Services in Colorado since 1993. Our services support a respectful, proactive environment with an emphasis on The Power of Performance and Reward. Caravan's management portfolio includes approximately 300 rental homes-condos-townhomes- multi-family properties and office-retail-warehouse commercial properties. In 1996 the company expanded to represent homeowners, investors and portfolio groups in all facets of residential and commercial real estate counseling, exchanging, buying and selling. With an average of more than 21 years of experience, the members of our team bring comprehensive insight and expertise to our relationships. Our focus is on building future security and growth for our clients while providing good homes for tenants.

Caravan Properties Business Focus

- **Property Management**
 - Full Service Residential Property Management
 - § Single Family-Condo-Townhome-Multi-plex
 - § Consistent Tenant Application Processing
 - § Tenant Leasing & Ongoing Management
 - § Tenant Relationships based on Company Policy & Procedures
 - § Maintenance and 24-Hour Emergency Service Response through supervision of Preferred Vendors
 - § Daily-Monthly Funds Management & Collection Services
 - § Online & Electronic Accounting and Banking Services
 - § Full Transparency and Reporting
 - Full Service Commercial Property Management
 - § Retail, Office, Multi-purpose and Industrial
 - § Tenant Leasing & Ongoing Management
 - § Tenant Relationships based on Company Policy & Procedures
 - § Maintenance with Preferred Vendor Supervision
 - § CAM & NNN Funds Management
 - § Online & Electronic Accounting and Banking Services
 - § Full Transparency and Reporting

- **Real Estate Portfolio Management**
 - In-Depth Analysis and Real Estate Counseling
 - Property Acquisition
 - Property Disposal
 - Property Performance Review Services
 - Conceptual Planning & Implementation Services

- **Equity Exchange Marketing**
 - Specializing in Simultaneous Property Exchanges
 - 1031 Exchanges
 - Financial Options Expertise
 - Benefit Driven Transactions

- **General List & Sell Real Estate**
 - Residential
 - Commercial

To learn more about Residential Property Management, please contact Broker/Owner,
Sheri Dea Brown

(719) 570-0240 (office) or by email: sheridea@caravanproperties.com

To learn about expanding your investment portfolio, buying or selling a property, or Commercial
Property Management, please contact Supervising Broker,
Thomas Powell:

(719) 570-0240 ext. 24 (office), (719) 290-7639 (cell) or by email:
thomas@caravanproperties.com



Key Benefits

Serving You with the Power of Performance and Reward

The Experience

Commitment to providing Peace of Mind residential property management, rentals and investment sales services is possible when everyone does their part to support a positive proactive and perceptive real estate experience. Caravan Properties LLC, believes property owners, their neighbors, caretakers (tenants), buyers, sellers, customers and the community benefit from well-maintained homes. The Power of Reward honors the Hassle-Free Property Management System supported by its consistent policies and procedures, in accordance with State and Federal Fair Housing Regulations.

The Caravan Team

Five generations of Founder-Owner-Employing Broker Sheri Dea Brown's family have managed real estate in Colorado Springs including scenic Seven Falls. Her passion to manage real estate holdings started in 1983 when her over 100-year-old family investment real estate business taught her the operating and financial skills of land, commercial, residential and estate-trust duties of several active partnerships. Supported by the family business Caravan's Founders purchased their first four investment houses in 1993. Once the policy and procedures and several more acquisitions were in place the next step was to become licensed in the State of Colorado in 1996 authorizing Caravan to provide its limited practice of real estate law granted by the Colorado Real Estate Commission for both Residential Proactive Property Management and Investment Sales Division Services to its existing relationships. Several staff members with over 10 years with Caravan graduated from local high schools. Caravan Properties manages over 300 properties, including single-family homes and up to 30 door multi-plex properties. The Caravan Properties Team treats each property it manages as if it were our own investment property.

The Caravan Team includes: Marguerite, Office Manager/Tenant Manager; Dick, Property Maintenance Manager; Rob, Bookkeeper/Accounts Manager; Linda, Broker Assistant/Office Coordinator; Brigitte, Marketing Manager/Administrative Coordinator; Thomas Powell, Supervising Broker/Sales Manager/Exchange Specialist; Pat Johnson, Broker Associate; Sheri Bodle, Broker Associate; Sherry, Administrative Assistant/Collections; Jana, Documents Manager.

Property Management: Available Rentals Marketing

We offer many effective ways for prospective tenants to view available properties, including:

- Up-to-date rental information through our informative website sources. Includes pictures, property descriptions, area maps, community information and printable rental application. It is possible to have a property advertised on as many as 100 different websites.
- A 24-hour phone vacancy information line, For Rent signs posted at the property, lockboxes and publications (when asked) help support the property showing process..
- Through our performance program, current tenants assist by conducting property showings while still occupying the property.
- Prospective tenants may visit or contact our office to check out vacant property keys, pick up maps or ask questions about the available rental properties.
- Caravan pays commissions of 10% of the first month's rent (at no cost to the owner) to Real Estate Brokers who help show properties and bring qualified approved tenants to available rental properties.
- To help gain improved property exposure and attract the best qualified tenants competitive rental rates are charged for both the owner's and tenant's benefit.

Property Management: Tenant Screening and Performance

Established consistent tenant screening systems allow us to find the best-qualified caretakers, as we call our tenants, for each rental property who have the opportunity to be rewarded for their extra efforts and are rewarded monthly with a discounted rent.

- Our application form clearly states that we will not approve tenants on a first- come, first-served basis and will choose the best-qualified applicant for each rental property in accordance with State and Federal Fair Housing regulations.
- The application process includes a current credit check and verification of at least four years' employment and rental history. Our policy requires that at least two of these three areas must be acceptable for a prospective tenant to even be considered as a tenant.
- We expect our tenants to pay their rent by 4:30 pm on the last business day of each month or no later then 4:30 on the 5th of each month and to satisfy the Term of Time stated in their rental contract.
- Early Termination Policies are stated in the Rental Contract as follows:

10. TERMINATIONS, EARLY TERMINATION FEE

After one month's rental payment has been received, this agreement may be terminated by either party giving written notice as follows: The Tenant will notify the Landlord in writing either by certified mail or hand delivery to the Landlord's office. It must be confirmed in writing as received by the Landlord at least 30 days prior to vacating. Partial rents will not be accepted if the Tenant vacates mid-month. If the Landlord is terminating this agreement, he will give 30 days notice in writing prior to the end of the month for which rent has been received, except when the correct amount of rent has not been paid. In that case, the Landlord will give the Tenant 3 working days, excluding holidays and weekends, in which to pay all rent, penalties and fees in certified funds or money orders. On any default of this contract other than nonpayment of rent, the Landlord will give Tenant 7 days in which to cure said default. All defaults must be corrected within the above-mentioned time frames or tenancy will be automatically terminated without further notice.

The early termination fee for not satisfying the term of time part of the rental contract is the amount of one month's rent per the contract unless another qualified tenant can be found to move into the property to satisfy the term of time part of the contract, a re-letting fee of \$250.00 and the cost of 1 month's internet advertising.

- Our military clause allows 30-60 days notice with a verified copy of the orders provided to the office.
- The tenant is responsible for the first \$50 to \$75 of any maintenance or repair that might be needed on the property, each and every month, after the move-in inspection process has been completed at the beginning of the tenancy. The good news for the tenant is that they can earn a performance reward for leaving the property in as good, if not better, condition. The tenant-caretaker enjoys a well-maintained property, is an active caretaker of the property and the property owner's investment property receives the benefits of proactive performance policy and procedures.
- The Performance Bonus is explained in Paragraph 29 of the Rental Contract:

29. PERFORMANCE BONUS INCENTIVE AND CONDITIONS

As an incentive to the Tenant to perform all covenants contained in this contract, a Bonus will be paid no more than 60 days after the month in which tenancy terminates, providing all keys have been returned to the Landlord, all bills paid and the premises have been inspected and their condition verified. Said Bonus will be sent to the last address provided by the vacating Tenant on his written notice that he was terminating his tenancy, provided the following terms have been met:

In order to be qualified to receive the Performance Bonus, you need to have been a satisfactory Tenant for the entire period from the date you started your tenancy on page 1 until . This bonus is an incentive for Tenant to remain in the property for the full original term as indicated on page one. All that is necessary for you to receive this Bonus is that you notify the Landlord in writing by of your intent to terminate and you agree to keep the property presentable and TO COOPERATE WITH THE LANDLORD IN SHOWING IT TO PROSPECTIVE REPLACEMENT TENANTS.

You should leave the house in a clean condition and have the carpets professionally cleaned. Remember how you inspected the property when you moved in, the next tenant will do the same.

Of course, you must have done all the things you promised to do in this contract, particularly with regard to timely payment of rent and repair/maintenance of the property as needed during your tenancy.

Once the Landlord is satisfied that you have done your part, a check made out to all parties who sign this rental contract will be mailed to the address you've provided. This Bonus is for superior performance on your part. The performance bonus may be an amount greater than, equal to, or lesser than a month's rent or it may be nothing at all.

Property Management: Office Services, Policies and Procedures

Property Maintenance is handled through our relationships with a variety of highly qualified service providers who are experts in their respective fields. They assist in providing the preventative maintenance and repairs that we require for all properties.

Communication is a key priority with our own voice messaging system to help us better respond to our high volume of calls. Our voice messaging system is programmed to respond to maintenance emergencies if needed.

The latest property management software enables us to track all income and expenses on behalf of both the tenants and the owners. The owner statements and income checks are electronically submitted or mailed to the owners on or around the 10th of each month, excluding weekends and holidays. Tenants can also pay their rent online. Property owners receive complete year-end statements and 1099 reports for rental income for all the accounting activity on each property.

Property Management and Buy-Sell Fees

Our property management fee is 11% to 9% of all the collected rents depending on the number of properties managed. This fee includes normal property management services including general maintenance issues, as well as the emergency message system.

Our leasing fee for each new approved tenant is \$250. This includes administering of our consistent tenant screening process leading up to the lease up meeting where the new tenant-caretaker receives a paragraph by paragraph review of the rental contract and our policies and procedures before they can move into the rental property.

All charges for advertising, maintenance or any other expenses associated with the owner's property are paid from each property's reserve account by our bookkeeping department. These centralized accounting services are provided as a part of our management fee. Our Processing Fee is only \$12.50 per month per house or unit (multi-plex). Because of the volume and the speed with which we pay vendors, we get discounts and preferred service, which is passed on to our owners at no additional charge.

At Christmas time we ask the owner to pay \$20 for a gift that Caravan will deliver to tenants, as a thank you for their tenancy.

For special consulting services that exceed the normal scope of property management services and repairs, we charge \$25 to \$200 per hour depending on the service needed which is billed in quarter-hour segments.

Investment Sales Division

If a property investor-owner or tenant-caretaker wishes to discuss buy or sell opportunities, Sheri Dea Brown, Managing Broker, or Thomas Powell, Supervising Broker, can offer their experience to determine the best fit for the buy-sell services including several preferred Realtors who will discuss their services and reach a mutually agreed commission fee for those professional real estate services. For owners and tenants there are also seasoned services available from loan pre-approval with several Mortgage Brokers to Property Inspectors. Caravan Properties will honor any prior Real Estate Broker relationship established.

Conclusion

We have established proactive rewards performance-based policies and procedures that offer superior benefits over traditional property management. After you have reviewed this information we would appreciate an opportunity to answer any questions that you have about our real estate services. Questions can be answered by phone, e-mail, a personal visit to your property or a visit to our office to meet the whole Caravan Properties team. We would welcome an opportunity to explain in more detail how we can make the difference in your investment property experience. Thank you for taking the time to review our material. We look forward to hearing from you soon.

Sheri Dea Brown, Managing Broker-Owner
sheridea@caravanproperties.com

Thomas Powell, Supervising Broker
thomas@caravanproperties.com



MEET THE CARAVAN TEAM

Sheri Dea Brown, Owner/Employing Broker, sheridea@caravanproperties.com

- Managing Member Caravan Properties, LLC
- Employing Broker
- Property Management Operations Manager
- Policy/Procedure Manager

Thomas Powell, Supervising Broker, thomas@caravanproperties.com

- Residential Sales Manager
- Commercial Sales Manager
- Marketing Manager
- Equity Exchange Specialist

Pat Johnson, Broker Associate, pat@caravanproperties.com

- Residential Sales and Property Exchangor
- Certified Distressed Property Expert

Sheri Bodle, Broker Associate, smiley@caravanproperties.com

- Residential Sales
- Investment Counseling

Marguerite, Property Management Supervisor, marquerite@caravanproperties.com

- Property Management Division Office Manager
- Tenant Manager

Dick, Maintenance Manager, dick@caravanproperties.com

- Maintenance Coordinator
- Facilities Coordinator

Rob, Bookkeeper, rob@caravanproperties.com

- Bookkeeper
- Property Management Accounts Payable/Receivable

Linda, Office Coordinator, linda@caravanproperties.com

- Assistant to Sheri Dea Brown
- Operations / Payroll

Brigette, Property Manager, brigette@caravanproperties.com

- Advertising Manager
- Accounts Receivable Clerk

Sherry, Administrative Assistant/Collections, sherry@caravanproperties.com

- Collections Manager
- Property Management Applications Processor

Jana, Administrative Assistant/File Manager, jana@caravanproperties.com

- Property Management Assistant
- Property Management Applications Processor



Mission Statement

To provide Professional Real Estate Counseling and Property Services with emphasis on
The Power of Performance and Reward.

Vision Statement

Supporting a respectful, proactive environment offering peace of mind and a higher standard in relationships where everyone does their part. Our business is based on a philosophy of total respect toward all properties and parties, without regard to race, color, creed, gender, religion, national origin, familial status, disability or ancestry.

Belief Statement

We Believe...

- Greater things happen with a positive attitude.
- In honoring the intellectual rights of all human beings.
- Actions speak louder than words.
- In equality, fairness, compassion and honesty in all that we do.
- Expectations are not agreements.
- That everyone is accountable and responsible for his or her actions.
- The past is history; the future is a mystery and today is a gift to enjoy.
- In supporting the best version of one's self.
- In living responsibly; reduce – reuse – recycle.
- That all living things deserve to be treated with dignity and respect.
- In managing properties that we would live in ourselves.
- In accurately accounting for all income and expenses for each property.
- That the definition of Client is “one under the protection of another”.*
- That a “good deal” must be good for all parties (win-win).

Please Visit Us at:

www.CaravanProperties.com

*Webster's American Dictionary.

NARPM Code of Ethics and Standards of Professionalism

The National Association of Residential Property Managers promotes a high standard of business ethics, professionalism and fair housing practices. NARPM® members subscribe to the following Code of Ethics and Standards of Professionalism for property managers of single-family and other small residential properties.

Article 1: DUTY TO PROTECT THE PUBLIC

It is the duty of the Property Manager to protect the public against fraud, misrepresentation, and unethical practices in property management.

1-1 The Property Manager shall endeavor to eliminate in the community, through the normal course of business, any practices which could be damaging to the public or bring discredit to the profession.

1-2 The Property Managers shall assist the governmental agency charged with regulating the practices of property Managers.

1-3 The Property Manager shall comply with all local and state ordinances regarding real estate law, licensing, insurance, and banking.

1-4 The Property Manager shall not knowingly, during or following the relationship of their professional relationships with their clients or their tenants, reveal confidential information of the clients or tenants. The Property Manager must take all pre-cautions in keeping information in regard to owners and tenants reasonably secured to prevent identity theft.

1-5 The Property Manager shall use reasonable efforts to be sure that information on their websites is current. If it becomes apparent that information on the website is not current, then the Property Manager shall promptly take corrective action.

1-6 The websites of the Property Manager shall not contain any deceptive metatags or other devices/methods to direct, drive, or divert Internet traffic or to otherwise mislead customers. The websites shall also not manipulate listing content in any way that produces a deceptive or misleading result.

Article 2: DISCRIMINATION

The Property Manager shall not discriminate in the rental, lease, or negotiation for real property based on race, color, religion, sex, national origin, familial status, or handicap and shall comply with all federal, state, and local laws concerning discrimination.

2-1 It is the duty of the Property Manager to educate those with whom the Property Manager is affiliated with to comply with all fair housing laws.

Article 3: DUTY TO CLIENT

The Property Manager has a fiduciary responsibility to the Client and shall at all times act in the best interests of the Client.

3-1 The Property Manager shall use a written management agreement outlining all responsibilities and fees. The Client will be provided a copy and the Property Manager will maintain a copy.

3-2 The Property Managers shall communicate regularly with the Client and provide written reports of receipts and disbursements on a regular and agreed upon basis. In the event of any dispute, the Property Manager shall provide a written accounting as soon as practical.

3-3 Tenant applications shall be reviewed and verified in order to determine the Applicant's ability to pay and to determine the likelihood that the Applicant will comply with all provisions of the rental agreement.

3-4 The Property Manager shall accept no commissions, rebates, profits, discounts, or any other benefit which has not been fully disclosed to and approved by the Client.

3-5 The Property Manager shall not mislead owners with the market value of the property, in an attempt to secure a listing.

Article 4: DUTY TO TENANTS

The Property Manager shall treat all Tenants professionally when applying for, living in, and vacating a managed residence. The Property Manager shall hold a high regard for the safety and health of those lawfully at a managed property.

4-1 The Property Manager shall offer all Applicants a written application.

4-2 The Property Managers shall provide all Tenants with a copy of the signed rental agreement with all addenda.

4-3 The Property Manager shall make all disclosures as required by state and local laws and provide the Tenant an opportunity to complete a written condition report at the time of moving in.

4-4 The Property Manager shall respond promptly to requests for repairs.

4-5 Within the time prescribed by law, a written deposit refund determination shall be provided to the Tenant after they have vacated the property. No undue delay in refunding or accounting for the security deposit shall take place.

4-6 The Property Manager shall avoid exaggeration, misrepresentation, misinformation, or concealment of pertinent facts relating to the advertisement, leasing, and management of the property.

Article 5: PROPERTY CONDITION

The Property Manager shall manage all properties in accordance with safety and habitability requirements of the local jurisdiction.

5-1 The Property Manager shall not manage properties for Clients who refuse or are unable to maintain their property in accordance with safety and habitability requirements of the local jurisdiction.

Article 6: PROTECTION OF FUNDS

The Property Manager shall hold all funds received on behalf of others in compliance with state law with full disclosure to the Client and must never commingle the firm's or personal funds with those of the Client.

Article 7: DUTY TO DISCLOSE EXPERTISE

The Property Manager must provide accurate information within his area of expertise, but refrain from the unauthorized practice of other professions, including but not limited to the law, accounting, financial planning, construction, and contracting.

Article 8: DUTY TO FIRM

The Property Manager shall act in the best interests of their Employer/Broker.

8-1 The Property Manager shall have no undisclosed conflict of interest with their Employer/Broker and shall notify their Employer/Broker immediately if a conflict should arise.

8-2 The Property Manager shall receive no kickbacks, rebates, or any other benefits without full disclosure to Employer/Broker.

8-3 The Property Manager may not take or use any proprietary documentation or client/tenant lists during or after relationship with Employer/Broker without express written consent from Employer/Broker.

Article 9: RELATIONS WITH COMPETITORS

The Property Manager shall refrain from criticizing competitors or their business practices.

9-1 the Property Manager shall treat all competitors in a fair and professional manner and shall not knowingly engage in any practice or take any action against a competitor in an un-business-like manner.

9-2 The Property Manager shall not knowingly solicit competitor's clients. This does not preclude the Property Manager from making general announcements. For purposes of this code, a general announcement may be defined as a general telephone canvass or a general mailing or distribution addressed to all prospects in a given geographical area or in a specific profession, business, club, organization, or other classification or group.

9-3 In the event of a controversy between Property Managers with different firms, the Property Managers shall submit the dispute to mediation rather than litigate the matter.

Article 10: PRICE FIXING

The Property Manager shall not engage in the improper acts of price fixing, anti-trust, or anti-competition with other Property Managers.

10-1 Unless the Property Manager is purchasing another property management company, fees, commissions, and compensations, shall not be discussed with other Property Managers. The Property Manager shall always seek to avoid the appearance of impropriety in these matters.

10-2 The Property Manager's fees, commissions, and compensations shall be determined by the Property Manager or the Property Manager's Broker based upon, but not limited to, expertise, experience, and the cost of service or expense.

Article 11: DUTY TO NARPM® AND THE PROFESSION

11-1 The Property Manager shall strive to improve the property management profession and NARPM® by sharing with others their lessons of experience for the benefit of all.

11-2 The Property Manager shall strive to be informed about relevant matters affecting the property management field on a local, state, and national level.

11-3 The Property Managers shall maintain their real estate license by meeting continuing education requirements as set out by the state in which they work.

11-4 NARPM® members shall abide by the NARPM® bylaws and any other guidelines approved by the Board and shall do no harm to the organization.



CARAVAN PROPERTIES, LLC

**OFFICE POLICY MANUAL
FOR CARAVAN PROPERTIES, LLC
PROPERTY MANAGEMENT ACTIVITIES**

Sheri Dea Brown
Owner/Managing Broker
sheridea@caravanproperties.com

Caravan Properties LLC
5215 Galley Road
Colorado Springs, CO 80915
(719) 570-0240
Fax (719) 570-0243

I. BROKERAGE RELATIONSHIPS INVOLVING LANDLORDS

A. Broker to act as a Principal in the transaction.

Lease the property from the Landlord and sublease (“Sandwich Lease”) it to a Tenant. The Broker requires Colorado Real Estate Commission form LC18-9-95 (Seller’s Property Disclosure form) to be completed by Landlord. (If Landlord ultimately desires to sell the property, Broker may offer to purchase property or may offer to option property for his own account with the intent of selling said option to a third property).

1. Benefits to Landlord/Property Owner:

- a.** Avoids vicarious liability of the Agency (Vicarious liability is a principal’s liability for the acts of an agent when the agent is acting within the scope of the agent’s employment.) Example: Brokers’ defense against a housing discrimination complaint involving state and/or federal Fair Housing Laws should not subject Landlord/Property Owner to any liability.
- b.** Can solve many of the workmen’s compensation problems for the Landlord/Property Owner.
- c.** The Broker can take on some of Landlord/Property Owner’s financial responsibility in dealing with the property and/or Tenant.
- d.** Broker better motivated to properly screen sub-Tenants. The Broker is liable to perform the terms of Broker’s lease with Landlord/Property Owner.
- e.** Broker motivated to solve problems quickly, as Broker is liable to perform to terms of Broker’s lease with Landlord/Property Owner.
- f.** The Broker earns no profit and incurs liability unless he successfully subleases the property at a profit.
- g.** Landlord/Property Owner has better argument with the IRS that he was actively involved with the management of his property and thus able to claim up to 25K of passive losses against other income (with some restrictions). Landlord/Property Owner negotiates a rental contract with Tenant directly, in this case Broker, and does not have a property manager working on his behalf. Landlord/Property Owner must seek his own tax and legal counsel. The Broker will not render tax and/or legal advice.

2. Disadvantages to Landlord/Property Owner:

- a. Does not have an Agent working on his behalf.
- b. Must negotiate terms of lease with Broker who is taking on the role of Tenant.

3. Benefit to Broker:

- a. Avoids liability for Landlords/Property Owner's acts or omissions. Each party is a principal in the transaction representing only their own interests.
- b. Not subject to The Colorado Real Estate Commission. The Broker is acting as a principal with full disclosure to Landlord/Property Owner.
 - (1). Less reporting and paperwork. Allows for more efficient operation.
 - (2). Requires less overhead thereby potentially generating greater profit for the Broker.
 - (3). The Broker is rewarded based on his expertise and/or penalized for his lack of expertise.
 - (4). The Broker can hire Agent to represent Broker's interest when necessary, at Broker's expense, without subjecting Landlord/Property Owner to vicarious liability.
 - (5). Broker works for himself and survives or fails based on his expertise. His profit is based on his success not a fee.

4. Disadvantages to Broker:

- a. Subjects himself as a Principal to the liability of a lease.
- b. Takes on some liability for workmen's injury if he, as a condition of his lease, as a principal, hires work done on the property.
- c. No compensation by fee, commission, salary, or anything of value received for renting or leasing the Landlord/Property Owner's real estate.
- d. There is real risk involved and Broker must perform to realize a profit. Even upon performance there is no profit guarantee.

- e. Cannot charge Landlord/Property Owner for other services such as:
 - (1) Maintenance coordination
 - (2) Insurance claim administration
 - (3) Lease and rental contract renewal
 - (4) Computer setup
 - (5) Consulting
 - (6) Specialized bookkeeping
 - (7) Etc.

B. Broker to work as an Agent of the Landlord/Property Owner

Caravan Properties does not feel it can adequately meet the needs of Landlord/Property Owner without, therefore, The Broker requires Colorado Real Estate Commission form LC18-9-95 (Seller's Property Disclosure form) to be completed by Landlord/Property Owner. (If Landlord/Property Owner ultimately desires to sell property and if Broker is involved in the sales transaction other than as a Principal, then Broker will normally act as a Transaction-Broker, especially when dealing with existing Tenants. Broker, per Broker's Office Policy for Sales Transactions, is specifically precluded from acting as a Dual Agent. If an Exclusive Right-To-Sell Listing Contract is executed with Landlord/Property Owner then a Transaction-Broker Addendum will also be executed at the same time.)

1. Benefits to Landlord/Property Owner:

- a. The Broker is a limited Agent of Landlord/Property Owner with duty and obligation to promote the interests of the Landlord/Property Owner with the utmost good faith, loyalty, and fidelity.
- b. The Broker will exercise reasonable skills and care for the Landlord/Property Owner.
- c. The Broker will perform the terms of the written **Management Agency Agreement** made with the Landlord/Property Owner.
 - (1) The Broker agrees to screen all Tenant applications and NOT accept them on a "first-come, first-served basis."
 - (2) The Broker understands he is looking for the applicant who best meets Landlord/Property Owner's needs based on conditions specified in the **Property Management Agency Contract** executed by Landlord/Property Owner and Broker and based on criteria listed in the **Caravan Properties Tenant Application Summary** form.

- (3) The Broker will disclose his agency relationship with all Tenant applicants prior to accepting their applications for processing and will disclose that their application will NOT be accepted on a “first-come, first-served basis.”
- d. The Broker will comply with the rules and regulations of the Colorado Real Estate Commission.
- e. The Broker will comply with any applicable federal, state or local laws, rules, regulations or ordinances, including fair housing and civil rights statutes.
- f. The Broker will not disclose without the informed consent of the Landlord/Property Owner:
 - (1) Landlord/Property Owner’s motivations,
 - (2) That Landlord/Property Owner will accept less than the lease rate,
 - (3) That Landlord/Property Owner will agree to financing terms other than those offered;
 - (4) Any material information about Landlord/Property Owner unless disclosure is required by law or failure to disclose such information would constitute fraud or dishonest dealing;
 - (5) Any material facts or suspicions regarding circumstances, which may psychologically impact or stigmatize any real property pursuant to section 38-35.5-101, C.R.S.
- g. The Broker owes no duty or obligation to the Tenant except that Broker will disclose all adverse material facts actually known by Broker (subject to the limitations of section 38-35.5-101, C.R.S.). The Broker owes no duty to conduct an independent inspection of the property for the benefit of Tenant and owes no duty to independently verify the accuracy or completeness of any statement made by Landlord/Property Owner or any independent inspector.

2. Disadvantages to Landlord/Property Owner:

- a. Landlord/Property Owner has the risk of vicarious liability for the acts and omissions of his agent, Caravan Properties. (*Vicarious liability is a principal’s liability for the acts of an agent when the agent is acting within the scope of the agent’s employment.*) Example: Landlord/Property Owner may have to defend against a housing discrimination complaint if Broker is accused of violating any state or federal Fair Housing Laws.

- b.** Landlord/Property Owner can be found liable under workmen's compensation laws if anyone working on Landlord/Property Owner's property with Broker's permission is injured.
- c.** The Landlord/Property Owner will have to substantiate that the Landlord/Property Owner is actively involved with the management of subject property to be able to claim up to a 25K loss against other income (There are some restrictions.). *Landlord/Property Owner must seek his own tax and legal counsel. The Broker will not render tax and/or legal advice.*
- d.** Landlord/Property Owner must compensate Broker based on rates established in the Property Management Agency Contract and not necessarily on Broker's performance.
- e.** The Broker may not be as motivated as Landlord/Property Owner to solve problems because none of Broker's money is on the line.
- f.** The Broker may show alternative properties not owned by Landlord/Property Owner to prospective Tenants and may list competing properties for the lease and not be deemed to have breached any duty or obligation to Landlord/Property Owner.

3. Benefits to Broker:

- a.** Guaranteed income to Broker if he performs his duties per the Property Management Agency Contract.
- b.** Less liability for accidents of workmen who get injured while working on Landlord/Property Owner's properties.
- c.** Less overall financial risk to Broker.
- d.** No liability as a Principal who has signed a lease.
- e.** Not necessary to predict the market correctly in order to realize compensation or profit.
- f.** Charges can be made for additional services supplied as long as full disclosure is made to Landlord/Property Owner.

4. Disadvantages to Broker:

- a.** Burdensome regulation and reporting requirements which make it less fun daily to be in the management business.
- b.** The Broker has the risk of liability for the acts and omissions of the Landlord/Property Owner.
- c.** The Broker is not rewarded or penalized based on his expertise, but on the basis of a contract between Broker and Landlord/Property Owner.

II. BROKERAGE RELATIONSHIP INVOLVING TENANTS

A. Broker to act as a Principal in the transaction.

- 1.** Lease and manage Broker's property.
- 2.** Sublease and manage property, which Broker has leased as Tenants from Landlord/Property Owner.
- 3.** Sell a Broker owned, or Broker optioned property, to Tenant who desires to buy the property.

B. Broker to act as Agent for Landlord/Property Owner or Subagent for another Broker and Landlord/Property Owner.

- 1.** Lease and/or manage Landlord/Property Owner's property as Agent for Landlord/Property Owner.
- 2.** Lease and/or manage property managed by another Broker as Subagent of that other Broker and Landlord/Property Owner.
- 3.** Sell Landlord/Property Owner's property to Tenant under an Exclusive Right-to-Sell Listing Contract which has been executed by Broker and Landlord/Property Owner. (The Broker will typically act as a Transaction-Broker in sales involving Landlord/Property Owner and Tenant.)

- C. Tenant Agency and Transaction-Brokerage will not be offered for Property Management activities involving Broker and any Tenant at this time.**
(If Tenant ultimately desires to purchase property and if Broker is involved in the sales transaction other than as a Principal, then Broker will normally act as a Transaction Broker, especially when dealing with existing Landlords/Property Owners. Broker, per Broker's Office Policy for Sale Transactions, is specifically precluded from acting as a Dual Agent. If an Exclusive Right-To-Buy Contract is executed with Tenant then a Transaction-Broker Addendum will also be executed at the same time.)
- D. Broker, and Broker's agents, subagents and employees must give all applicants for tenancy a copy of Broker's "Property Management Agency Disclosure" form at the time they give out a rental application.** Include the following language at no less than 80% of the size of the disclosure form title: (It must be bold and capitalized.) **"NOTE: DIFFERENT BROKERAGE RELATIONSHIPS ARE AVAILABLE WHICH INCLUDE SELLER AGENCY, BUYER AGENCY, OR TRANSACTION BROKER."** Also, include the following: *"For purposes of this disclosure, Buyer also means Tenant and Seller also means Landlord/Property Owner."* A copy of Colorado Real Estate Commission form DD25-2-94, **Definitions of Real Estate Brokerage Relationships** will be printed on the reverse of this disclosure form.
1. Disclose that Caravan Properties is a licensed Real Estate Broker in the State of Colorado and that Sheri Dea Brown is the current acting Broker of Caravan Properties.
 2. Disclose that Broker is leasing and/or managing the property as Principal or as Agent/Subagent for Landlord/Property Owner and that Broker is not Agent for Tenant. State that any leasing and/or management fee's due Broker for this transaction will be paid by Landlord/Property Owner and not by Tenant.
 3. Disclose that Broker owes duties to Landlord/Property Owner, which include utmost good faith, loyalty and fidelity.
 4. Disclose that Broker will negotiate on behalf of and act as an advocate for the Landlord/Property Owner.
 5. Disclose the Tenant applicant will not be accepted on "a first-come, first-served basis" and that per the terms of Broker's **Property Management Agency Contract** with Landlords/Property Owner, Broker will screen prospective Tenants based on the applicant's qualifications and the Landlord/Property Owner's needs.
 6. Disclose that Tenant applicant should **NOT** tell Broker any information which applicant does not want shared with the Landlord/Property Owner.

7. Disclose that Tenant will **NOT** be vicariously liable for Broker's acts when Broker acts as Agent and/or Subagent of Landlord/Property Owner. (*Vicarious liability is a principal's liability for the acts of an agent when the agent is acting within the scope of the agent's employment.*)
8. State that Broker will disclose to Tenant all adverse material facts about the property actually known by us (subject to the limitations of section 38-35.5-101, C.R.S.).
9. Affirm that Broker will assist Tenant applicant without regard to race, color, creed, sex, religion, national origin, familial status, handicap, or ancestry.
10. State that Broker requires "per Broker's office policy" that a copy of this disclosure be signed by each Tenant applicant and returned to Broker before Broker can process Tenant's application.

III. PROCEDURES

A. Office Hours.

1. **The Broker will maintain office hours by appointment only.**

B. Signing "Sandwich Lease" or Property Management Agency Contract with Landlord/Property Owner. (When and if Landlord/Property Owner sells the property, Broker should execute a contract to purchase or option agreement with Landlord/Property Owner if Broker is acting as Principal and an Exclusive Right-to-Sell Listing Contract [Transaction-Broker or Seller Agency, as appropriate, with Transaction-Broker Addendum when appropriate] with Landlord/Property Owner if acting as Broker in the sales transaction.)

- (1) The Broker will have a title company do an "Owners and Encumbrance Report" to verify the owners of the property and the existing deeds of trust.
- (2) The Broker will use acknowledgments on "Sandwich Lease" and Property Management Agency Contracts to verify identities of Landlords/Property Owners.

C. Pricing Rentals

(1) The Broker does not set the price of rental housing; the market conditions set the price of rental housing.

- a. Broker, his agent, subagent or employees will check the classified advertising to see what other properties are renting for and will circle all comparable rentals without passing any judgment on them.
- b. A list of comparable properties will be made, itemizing each property's location, the rental amount advertised, the number of bedrooms, number of baths, number of garages and any other significant property features such as deck or sprinkler system, etc.
- c. Other property managers should be consulted if the inventory of available rentals does not provide a reliable market survey.

2. Theoretically a range of rental prices should be formulated from this list.

- a. Prices the property somewhere in this range. Price it higher or lower depending on general market conditions and how much lease-in time you have to lease the property.
- b. Avoid pricing the property too high as it is in the Landlord/Property Owner's best interest to have multiple applicants apply. (The applicant who has a lot of ready cash may appeal to your greed, but may not be the most suitable Tenant.) Always follow the same procedures for screening all Tenants.
- c. Advertise properties at a "discounted" rent, which could be from \$25 to \$100 (depending on the rent amount) less than the actual rent. The discounted rent is offered as an incentive for the Tenant to maintain the property and pay the rent on time.

A. Marketing and renting properties to Tenants.

(1) Broker, his agent, subagent or employees will write a script about the property listing all relevant features: the price, location and how to see it, etc. Record this script on Broker's 24 hour Rental Information Tape. Place a "For Rent" sign on the property and/or a newspaper advertisement as Broker deems appropriate. The tape recording guarantees:

- a. that all Tenant applicants hear the same information about each property in compliance with state and federal Fair Housing Laws;
 - b. that people can call 24 hours a day and hear about all properties available;
 - c. that prospects calling about one property receive information on all other properties available;
 - d. that the best features about all properties are disclosed to all applicants (When questions are answered from memory, information can be forgotten, whereas information is more complete and accurate when a script is written.);
 - e. that the real estate community (other Brokers and salespersons) will use our rental number as a way to meet the needs of “non-buyers” who are assisting per the terms of company relocation contract.
- (2) Broker, his agent, subagents and employees are strictly prohibited from showing the property to Tenant. This helps Broker guarantee that all Tenant applicants are treated consistently in regard to State and Federal Fair Housing Laws and that no illegal discrimination can take place. Any Real Estate Broker showing a prospect the property will be deemed a Tenant’s Broker or Transaction Broker and not an agent of Landlord/Property Owner. Tenant applicants cannot negotiate with Broker if Broker is not present at showing. They decide if the property meets their need and then “sell” Broker on why Broker should accept their application. The Broker becomes the employer hiring someone to do a job. The employee is the Tenant and the job description is to maintain the house and grounds, pay the rent on time, get along with the neighbors, and to leave Broker alone (prioritized in that order). The Broker should put little time and effort into the leasing process in order that he may surgically “cut-it off” with a prospect at the earliest indication that the applicant does not meet the job description. The more time and effort the Tenant applicant has invested in the process the easier it is for Broker to negotiate effectively on Landlord/Property Owner’s behalf.
- a. Prospective Tenant will make arrangements with existing occupants to see rental properties.
 1. Existing occupants may arrange “Open Houses” to show prospective Tenants the property.
 2. Existing occupants may make appointments with prospective Tenants to show prospective Tenants the property. They should get the prospective Tenants’ names and phone numbers at the time they set the appointment and request that the prospective Tenant call if needs to change the time or cancel the appointment.

3. Existing occupants must give a **Property Management Agency Disclosure** form to prospective Tenants if they hand out our **Application For Rental Property** form to prospective Tenants.
-
- (3) The Broker will not negotiate or discuss any of the rental terms (other than length of the contract, factual information about the property and the advertised price) **until an application to rent and the disclosure form has been submitted to Broker by each legal entity applying to rent the property.** This insures a consistent and uniform method in dealing with all Tenant applicants and insures compliance with State and Federal Fair Housing Laws.
 - (4) Broker, his agent, subagent or employees will ask the applicant how long they intend to rent the property. Use information in meeting Landlord/Property Owner's short term or long term needs. (If applicant first asks Broker the length of the rental contract Broker should not answer directly, but instead ask the length of the contract the applicant desires.)
 - (5) The Broker will not accept any applicant prior to processing his/her application. This makes good business sense and helps to guarantee compliance with State and Federal Fair Housing Laws. The Broker will not be required to process any application which is incomplete.
 - a. Credit reports will be completed on all applicants at applicants' expense.
 - b. Broker, his agent, subagent or employees, will check with present and past Landlords to verify proper notice has been given, that property has been maintained by Tenant and that all payments have been made as agreed. Questions regarding length of Tenants' occupancy, why the Tenant is vacating (or did vacate), when rent is due and when it was generally received, if there have been any NSF checks or if so, how often, etc., should be asked. If possible, the Landlord's relationship to the Tenant should be determined. The Broker should get Landlord to volunteer as much information as possible. Was Tenant's security deposit returned in full and if not, why not? Would Landlord rent to the Tenant again? Was the property and yard maintained? Did Landlord ever serve a "3 day notice" to pay or to vacate? What type of property was rented by Tenant (an apartment, condo, house, etc.)? Little turnover is generally desired and some explanation should be offered voluntarily by applicant if he has had more than four Landlords in a four-year period of time.

- c. Broker, his agent, subagent or employees, will check with present and past employers to verify employment and income. Generally the applicant should not have had more than three employers in four years without a valid reason. Questions to verify reason applicant left prior employment, stability and length of current employment, etc., should be asked. Applicants should be employed or retired or disabled/handicapped. (Applicants supported by parents and/or trust funds rarely have enough financial risk involved to be responsible parties to the transaction.) Consigners will not be accepted under any circumstances. All parties to the rental contract and the transaction must occupy the premises.
- d. The Broker will give priority to existing Tenants (who reside in other properties which are managed by Broker) who desire new housing.
 - (1) These Tenants are already tried and tested.
 - (2) They are familiar with our systems and procedures
- e. The Broker will use Broker's **Tenant Applicant Summary** form as a screening tool to consistently apply the same criteria to each application.
 - (1) Applicants moving from a house should generally be given preference to applicants moving from an apartment because the former has already been tested regarding yard maintenance and their performance can often be verified. They are also more likely to own yard and maintenance equipment.
 - (2) Priority should be given to applicants who have inspected the property and who are available to sign a rental contract in person. It is very difficult for Broker to communicate the Company's systems and procedures to an applicant who is unable to meet with the Broker to sign the rental contract.
 - (3) Additional financial information which is discovered and which impacts the Broker's decision to rent or not rent the property should be written down (the existence of a verifiable savings account, the sale of a property at a profit, etc.).
 - (4) Volunteered information such as whether the applicant desires to purchase a property and when, should be recorded.
 - (5) Discrepancies and inconsistencies found in processing; the application should not be overlooked.

- (6) Derogatory comments about current and/or past Landlord/Property Owners and Employers should be noted.
 - (7) Comments like: “My attorney...”, “That’s not legal,” “You can’t do that” or anything else which is meant to intimidate the Broker should be recorded on the form.
 - (8) Any applicant must have two out of the three criteria in order to even be considered for any property. The criteria are credit report FICO score of 630 or above, unblemished rental history, and/or employment/ability to pay rent.
- f.** Broker, his agent, subagent or employees will be wary of people who are in a hurry to rent property offered for rent. The Broker will allow several days to pass (depending on market conditions) in order to see which applicants contact Broker (multiple times preferably) to check on the status of their application. Often those are the applicants Broker wants to do business with because they show initiative and they want the property. They don’t just want a place to “camp out”; they want to make your house their home. Potentially they may be better stewards of the asset.
- (6) Broker, his agent, subagent and employee will set an appointment for Broker (or Broker’s agent or subagent) to execute a rental contract with the accepted applicant. The Broker will only use the rental contract developed by Caravan Properties. The Broker will not rent property using any other rental contract or lease.
- a.** The applicant should be told that Broker will not hand an applicant a contract and have him sign it without first going through the entire contract with Broker to make sure that there is a “meeting of the minds” as to what the applicant can expect from Broker and what Broker does expect from the applicant. The applicant should be told that this process will take one and one half hours or so depending on applicants’ questions. (Perhaps the applicant will want to schedule a baby sitter for his children if appropriate.) Broker, Broker’s agent or subagent will cover the entire rental contract with an applicant prior to letting the applicant execute the document.
 - b.** Broker, Broker’s agent, subagent or employee will disclose to the applicant the amount of money the applicant will need to move-in to the property. (Money is an economic qualifier. More is better than less.) Prorations should be applied, not against first month’s rent, but against the second month’s rent, if possible. Generally the applicant will need an

amount which approximates twice the first month's rent. Tell the applicant that this should be in cash or certified funds and that it should be paid when the contract is signed. Make few exceptions regarding "Good Funds."

- c. The Broker should use the face to face appointment with the applicant as a training session. Educate the applicant about maintaining the house and grounds and about Broker's various procedures. Share expectations and let the Tenant know their job description. They are to maintain the house and grounds, pay the rent on time, get along with the neighbors and leave Broker alone (prioritized in that order). The objective is to empower Tenant to manage many of the Landlord/Property Owner functions limited only to the Tenant's skills and abilities, and Landlord/Property Owner's needs.
 - d. Use the Rental Contract as a final sieve in Broker's screening process. If the applicant has seemed acceptable to this point, but does not like the contract, then no harm is done. Shake hands with that applicant and offer the property to the next acceptable applicant. (The cheapest eviction is to not put the wrong Tenant in the property in the first place.)
 - e. Do not disclose to other applicants that the property is rented until a **Rental Contract** has been signed and money has been received.
 - f. Require copies of drivers licenses for identification prior to giving our keys to the property.
- (7) The Broker will generally offer Tenant a "First Right of Refusal Option to Renew" the rental contract at the end of its initial terms with a guarantee that if Tenant has performed the terms of his contract and if the property is still available for rent, then rent will not be increased more than a specified amount. This option will not be available with short term rentals. Sometimes a "First Right Refusal Option to Purchase" may be offered depending on Landlord/Property Owner's needs.)
- a. On the first day of doing business with Landlord/Property Owner, Tenant is told that there will be regular rent increases.
 - b. The Tenant has bought an option which gives the Tenant no benefit unless the Tenant renews the contract. You are attempting to create a long term relationship with the Tenant.
 - c. Since no other Landlord/Property Owner has ever offered Tenant this benefit, he immediately perceives that renting from this Broker will be

different from prior rental experiences. It helps to cement the relationship and leads to less turnover.

- (8) The Broker will not inspect the property upon Tenant move-in or move-out. Disclose to the applicant that Tenant will inspect the way the prior occupant left the property and that the subsequent occupant will inspect the way Tenant leaves the property.
- a. This eliminates any discussion about Broker not completing a “fair” inspection (for whatever reason) when Tenant moves out and guarantees that Broker, Broker’s agents, subagents and employees comply with State and Federal Fair Housing Laws. All inspections are performed by neutral third parties who do not know the Tenant.
 - b. This guarantees a better inspection. Broker finds that Tenants are very concerned when they discover that the next Tenants will inspect the way they leave the property and that they do a better inspection.
 - c. Require that the inspection be completed and returned prior to any work being completed on the property. Have Tenant return sign or rental lock (if applicable) when Tenant returns the inspection report. Whether or not Tenant follows instructions are an indication of the future relationship Broker will have with Tenant.
 - d. The Broker should make an appointment with current Tenant to review Tenant’s inspection report when Broker feels the inspection report seems inconsistent with Broker’s knowledge of past Tenant.
- (9) The Broker will point out other Tenant benefits of Rental Contract. These benefits include, but are not limited to:
- a. A Performance Bonus will be paid for superior performance on Tenant’s part after Tenant vacates the property. The Tenant must stay through the term of his rental contract to be eligible and must perform all of the conditions of his rental contract. Disclose to Tenant that the amount of the Bonus varies greatly with his performance. It can be an amount greater than the first month’s rent, an amount equal to the first month’s rent, an amount less than the first month’s rent or nothing based on Tenant’s performance. Currently it is Broker’s policy to pay a Bonus to Tenant in an amount approximating Tenant’s first month’s rent as long as Tenant has complied with the terms and conditions of his contract. The Broker will review Tenant’s inspection report when Tenant took possession of the property and the subsequent inspection report created by next Tenant prior to determining the amount of Performance

Bonus to pay Tenant. Landlord/Property Owner must first be consulted before the Broker pays an amount greater than Tenant's first month's rent. If Tenant vacates prior to end of Tenant's contract, but is successful in finding a new Tenant who is acceptable to Broker (Broker must screen all applicants presented by Tenant) then Broker's current policy is to deem that Tenant has stayed through the term of his contract and pay a Performance Bonus to Tenant deducting only an amount approximating Landlord/Property Owner's costs associated with the turnover of the property.

- b.** That Tenant has an escape clause whereby he can vacate the property prior to the end of his contract without incurring any adverse credit history. The Tenant has benefit of securing a relatively long term occupancy (in most cases) at a fixed rental amount and yet still retains the flexibility to vacate with little notice if it is in Tenant's best interest to do so.
- c.** The Tenant is given more discretion than is usually given to Tenants to make decisions regarding maintaining the house and grounds. In return for Tenant taking on much of the responsibility of Landlord/Property Owner he will be offered relatively stable rents by Landlord/Property Owner over a long term.

E. Broker's Administration

- (1) The Broker will not do periodic property inspections.
 - a.** It disrupts Tenants and makes them feel like the house is not their home. The Broker has pre-screened Tenants and should give them their privacy and leave them alone so that they will stay a long time.
 - b.** Neighbors and workmen should be recruited to be Broker's eyes, ears and resources should Broker require information about the property and the Tenant.
 - c.** The Broker should not ignore inspecting the yard when he is driving in the area and should let Tenants know when they have done something well.
 - d.** Occasionally a remedial inspection will be required. The Broker should take prompt action when a Tenant has done something incorrectly or wrong. Time is of the essence in solving problems.
- (2) The Broker will not maintain an "in house" maintenance crew. The Broker feels this is a direct conflict of interest for Broker to profit from maintenance when working for Landlord/Property Owner. Maintenance, repairs and capital

improvements will be handled per the terms of the **Management Contract, Sandwich Lease and Rental Contract** as appropriate.

- (3) The Broker will serve a 3-day notice to “pay up or quit” as soon as Tenant is delinquent in rent payment. Allowing a Tenant a grace period only compounds the problem. Empathize with the Tenant’s problem, but start the clock running. The Broker may not waive any late charges, lost discounts, NSF check charges or other applicable charges more than one time for any Tenant (unless waived as a condition for Tenant to vacate the property). This guarantees that all Tenants are treated uniformly in regard to State and Federal Fair Housing Laws.
- (4) Written receipts will be given for all cash received by Broker. Receipts will be given using Adam SC-1182 receipt book or another similar receipt book using chronologically numbered receipts which generate two carbon-less copies. All cash and check belonging to Landlord/Property Owner will be deposited in Broker’s Property Management Trust Account no later than the first business day following the day of receipt unless Broker has written instructions from Payer otherwise. The Broker will use current cash handling procedures, which will be changed frequently and will not be put into writing for obvious reasons.
- (5) The Broker will rarely collect security deposits (usually only in short term rental situations), but will account for any collected per Colorado Real Estate Commission rules and regulations. See Property Management Agency Contract. An accounting of Tenant’s security deposit will be given to Tenant along with all funds due within 30 days after Tenant has vacated the property, unless a rental contract stated another time period (not to exceed 60 days).
- (6) The Broker will mail monthly (unless another time period is requested) Landlord/Property Owner reports and check after first reconciling management trust accounts per Colorado Real Estate Commission Rule E-1 (p)(3). It is the objective of Broker that all mailing will be made by the tenth of each month.
- (7) Property owned or “Sandwich Leased” by Broker and/or the acting Broker will be managed in the same fashion as properties managed for Landlord/Property Owner. Tenant applicants will not be informed of Broker’s and/or the acting Broker’s involvement as a principal to assure that no preference is given to any properties managed. Brokers’ monies (other than a minimal amount needed to maintain the account) will not be commingled in the Caravan Properties Property Management Trust Account with other Landlord/Property Owner’s operating funds.
- (8) The Broker will be responsible for maintaining escrow records in compliance with the Colorado Real Estate Commission’s rules and regulations. Yardi property management software will be utilized and state backups made on a

regular basis. It is the intention of Broker to make backups nightly or when the computer has been used any degree. Backups will be rotated on a weekly basis and one set of backups will be removed from the premises no less than monthly. Password security will be activated on the software and the password changed periodically. Bank reconciliation's will be maintained in a fire file for not less than 12 months before being moved to a less secure location. No records will be disposed of prior to the expiration of seven years.

- (9) The Broker will not give out copies of Broker's current rental contract unless absolutely necessary. The Broker does not want people to incorrectly implement the contract and perhaps become a test case in front of a judge thereby affecting the way Broker operates his business.
- a. The Broker has found that the contract causes much confusion for those unfamiliar with its implementation and Broker finds it is too long for most people to read in its entirety. (The contract makes property management look like a science whereas its implementation is actually an art).
 - b. The Broker will go through the entire contract with all Landlord/Property Owners who desire to do so.
 - c. Broker, upon request of Landlord/Property Owner, will write to any lender or other appropriate party (using Broker's letterhead) listing the term of the current contract, the net monthly rent owed when the last payment was received and any other pertinent information requested.
- (10) The Broker will give a copy of Broker's *Office Policy Manual for Property Management Activities* to all Landlord/Property Owners who wish to hire Broker to manage their properties.

F. Federal Fair Housing Law and the Colorado Fair Housing Act.

- (1) Caravan Properties is a Limited Liability Company who has an acting Broker, one or more Broker associates and several non-licensed employees.
- a. The Broker will comply as a Subscriber with Part III, subparagraph I (D) of this agreement which states: "**Equal Opportunity in the Real Estate Industry** –Affirmatively recruiting salaried employees and independent contractors to provide opportunities in the real estate industry to members of all racial and ethnic groups, of both sexes, with and without

disabilities, and individuals otherwise protected from discrimination by the Fair Housing Act.”

- b. The Broker will comply as a *Subscriber* with Part III, subparagraph II(D) of this agreement which states: “**Equal Opportunity in the Real Estate Industry** –Each Subscriber and Signatory will affirmatively recruit persons of all racial and ethnic groups, of both sexes, with and without disabilities, and individuals otherwise protected from discrimination by the Fair Housing Act, as salaried employees and independent contractors through the use of the “Equal Employment Opportunity” slogan in all advertisements for employees and independent contractors. (The Colorado Association of Realtors in their **Office Policy Manual Supplements, Part II – Fair Housing** defines the word will: “The word “will” used in this document is synonymous with the words “mandatory” or “required.”)

(2) The Broker cannot comply as a Signatory with “Recommended Fair Housing Procedures” listed in Appendix K of the **Fair Housing Handbook** published in 1992 by the National Association of REALTORS* or the “Office Management Policies & Procedures for Equal Opportunity in Housing” developed by The Colorado Association of REALTORS* in 1993 the following because Broker is unable to prepare the “Prospect Equal Service Report” referred to in subsection (2) below.

- a. The National Association procedure states: “All associates will use the company’s Equal Service Report Form with all prospects, including renters. This form will be completed following each in-person meeting with all applicants. All sections of the form must be completed after the first contract with a prospect in which such identifying information as name, phone number, or an address is obtained, or after the first in-person contact.” The Colorado Association states: “Associates will use the Equal Service Report Form or comparable company report form with all prospects, including renters. This form will be completed following each in-person meeting with all prospects. All sections of the form must be completed; if a section is not applicable, so indicate.”
- b. The Broker has set up procedures to ensure that illegal discrimination does not take place. Often applicants are accepted or rejected without Broker and applicants ever having met.

Current occupants have shown property and given out applications, which have been completed and sometimes deposited in Broker's "drop box" by applicants. Office policies and procedures have been developed to reduce Broker interactions with applicants as a defense against illegal discrimination. Preferably Broker has no knowledge regarding applicants' race, color, creed, sex, religion, national origin, familial status, material status, handicap or ancestry until after a rental decision is made. It is impossible for Broker to complete the Prospect **Equal Service Report – Rentals** identifying the race of an applicant, the conditions, which caused applicants to apply for our housing and his preferences because often Broker does not know. The Broker does not request any information from an applicant (other than that required to give out a key to a vacant property) prior to accepting an application from applicants. If applicants request information Broker generally refers to Company's Rental Information Tape or states that Broker cannot discuss any of the rental terms other than length of the contract, known factual information about the property (such as square footage, etc.), and the advertised price until an application to rent and disclose form has been submitted. The Broker does not identify properties for an applicant to view, nor does he maintain a waiting list for properties. Applicants are offered to all who request them.

- (3) The Broker is a **REALTOR***, and she has pledged to conduct Broker's business in accordance with Article 10 of the Code of Ethics and Standards of Practice of the National Association of **REALTORS***. **REALTORS*** will not deny equal professional services to any person for reasons of race, color, religion, sex, handicap, familial status, or national origin. **REALTORS*** will not be party to any plan or agreement to discriminate against a person or persons on the basis of race, color, religion, sex, handicap, familial status, or national origin.
- (4) The Broker has set up Broker's policies and procedures to guarantee compliance with the Federal Fair Housing Law and the Colorado Fair Housing Act. The courts have ruled that real estate companies are responsible for the acts of their salesperson and employees in fair housing matters. The company may not be able to defend itself successfully in a fair housing matter if these policies and procedures have not been followed by its salespersons and employees. Therefore, the company must insist that these policies and procedures be followed. Any acts of illegal discrimination will be grounds for termination of employment or the independent contractor agreement. When a Landlord/Property Owner refuses to comply with Fair Housing Laws, the company will dissociate itself from that Landlord/Property Owner.
 - a. Broker used the Sample Self-Assessment Questionnaire from Appendix J, **Fair Housing Handbook** published in 1992 by the National Association of **REALTORS*** to verify that Broker's

procedures allow individuals with similar financial resources and interest in the same market area have a like range of property choices available to them regardless of their race, color, religion, sex, national origin, handicap, familial status, creed, ancestry and marital status. Including are the questions listed in Appendix J. Broker's responses to these questions are italicized.

- (1) **What happens when a prospect first call your office?** *They are directed to Broker's 24 hour Rental Information Recording.*
- (2) **What information is given?** *Only information which is on the tape and available for all to hear.*
- (3) **What information is recorded?** *None.*
- (4) **What do you do when you first meet a prospect?** *That depends. Sometimes prospect is met only after acceptance of his rental application when he has appeared to sign the contract. In which case he is offered some refreshment prior to reviewing the rental contract. Other times he appears to pick up a "rental key" or to turn in an application in which case only factual information is given to his questions.*
- (5) **How are they greeted?** *In a business like manner.*
- (6) **What background and contract information do you request?** *None until a rental application is completed.*
- (7) **Do you record this information?** *Not applicable.*
- (8) **How do you originally determine a prospect's needs?** *The Broker does not determine applicants' needs. The applicant must determine his own needs.*
- (9) **What questions do you ask?** *None.*
- (10) **Do you make suggestions?** *No.*
- (11) **Do you record this information?** *Not applicable.*
- (12) **What type of qualifying information do you request, and when?** *Qualifying information is only asked on our standard rental application.*

- (13) **Does it depend on a personal assessment of the prospect(s)?** *Never.*
- (14) **Does your method differ depending on the price of housing or location requested?** *No.*
- (15) **When does qualifying take place?** *Only if and when prospects fills out a rental application.*
- (16) **Does this vary depending upon the prospect or certain circumstances?** *Never.*
- (17) **Do you record this information?** *Qualifying information is recorded on Broker's Application for Rental Property and Tenant Applicant Summary form. How? By prospect on the application and by Broker, his agent, subagent, or employee's in verifying the application on the summary form.*
- (18) **How are properties chosen?** *By prospect.*
- (19) **Who decides where to look for housing?** *The prospect does.*
- (20) **Do you rely on the prospect to make the choices?** *Yes.*
- (21) **Do you develop a list of properties to inspect?** *The Broker provides a 24-hour Rental Information recording, which includes information on all available rental properties. This recording is accessible to all persons.*
- (22) **What resources do you use to locate properties?** *The Broker is not involved with locating properties for prospect other than by providing a rental information tape and perhaps advertising various properties.*
- (23) **Does this process vary depending on the prospect?** *No.*
- (24) **Who sets the limits?** *The prospect set their own limits. Broker sets uniform financial guidelines to qualify each legal entity who submits an application.*

- (25) **Do you record this information?** *No. The Broker is unaware who is calling on rentals available, which rentals are being seen and which prospects are viewing available rentals. How?*
- (26) **How are properties shown?** *Prospect views vacant properties by himself and occupied units are shown by current occupants.*
- (27) **Do you schedule appointments and accompany the prospect?** *No.*
- (28) **Do you offer a list and suggest the prospect drive by to narrow down the list?** *Rarely, but if a list is given, it includes all the properties listed on our Rental Information Recording.*
- (29) **Do you point out the positive and negative aspects of each property?** *No, only adverse material facts about the property actually known by Broker (subject to the limitations of section 38-35.5-101, C./R.S.) will be disclosed to prospect prior to signing of the rental contract. Some properties? The same as above. Wait for comments? Not applicable.*
- (30) **Do you record likes and dislikes?** *No. The Broker does not know what properties are being viewed and who the prospects are in most cases until a rental application is received.*
- (31) **What materials are provided on the listing?** *Only the information listed on Broker's Rental Information Tape and factual information such as square footage, etc., if requested by prospect.*
- (32) **How are prospects pre qualified?** *Prospects are not pre qualified.*
- (33) **Do you let prospects determine their price range?** *Yes. The Broker determines if prospects meet Broker's financial qualifications, but only after the prospect has first submitted an application on the property.*

- (34) **Do you calculate the price range for the prospect?** *No.*
- (35) **Does this process vary depending upon the price range of housing being sought or your impression of the prospect?** *No.*
- (36) **Do you suggest the prospect be pre qualified by a lender prior to showing properties?** *Not applicable. This question is dealing only with the purchase of a property.*
- (37) **Do you require a credit report prior to inspecting properties or submitting a bid?** *No. This question has to do with the purchase of property. The Broker does require a credit report on each legal entity who applies to rent a property, but not until an application is first submitted.*
- (38) **Do you use a standard form to record this information?** *No. Pre qualifying information is required for prospects to view properties, which are available for rent. A rental application is required by all prospects desiring to apply for a rental property.*
- (39) **How is financing information handled?** *Not applicable.*
- (40) **Are prospects told they will need to locate their own financing?** *Not applicable.*
- (41) **Do you refer prospects to specific lenders?** *Not applicable.*
- (42) **Do you explain financing and quote interest rates?** *Not applicable.*
- (43) **Is this information recorded?** *Not applicable.*
- (44) **What type of follow-up procedures do you use?** *Little or none. Occasionally we contact prospects who have submitted applications to gather additional information or to ask them if they still desire to rent the property.*
- (45) **Are your follow-up techniques more aggressive with some prospects than with others?** *They are consistent with all prospects.*

- (46) **What information is kept on completed sales?** *Not applicable. Current and past Tenant applications are kept with the property files for a minimum of seven years. Applications from those who do not rent our properties are not retained more than sixty days.*
- (47) **What information is kept on prospects who do not purchase?** *Not applicable. Caravan Properties is primarily involved in property management and most of the time has no knowledge of prospects who have inspected properties listed with Broker for rent. Old key deposit applications and rejected rental applications are kept no more than sixty days.*