



Hoffman Realty, LLC

3900 W. Dale Avenue, Tampa, Florida 33609

Frequently Asked Questions About Your Owner Statement

What is my “Beginning Balance”?

Your beginning Balance shows the amount of money we were holding in your escrow account at the beginning of the month.

What is the “Income”? The Income shows the amount of rental income we received for the month through the date the statement was prepared.

What are the “Expenses”?

The Expenses shows the property expenses for the month through the date the statement was prepared. The expenses usually include our monthly management fee, but could also include property repairs, leasing fees, legal fees, utilities, etc. Please review your statement for copies of bills and invoices associated with these expenses.

What are “Contributions”? If you have sent us money during the statement period it is shown here. For example, if you have sent us a check for \$500 to fund your Owner’s Reserve it will be shown here as a \$500 Contribution. A Contribution is shown as a positive number.

What are “Draws”? The Draws shows the amount of your owner draw check for the statement period. Your owner draw check is shown as a negative number.

What is my “Ending Balance”?

Your Ending Balance shows the amount of money we are holding in your escrow account at the end of the statement period. The Ending Balance is usually equal to the amount of the Portfolio Minimum plus any rent prepayments.

What is the “Portfolio Minimum”? The Portfolio Minimum is the Landlord’s Reserve referenced in your management agreement. The Landlord’s Reserve is your money that we hold in your account so we have funds on hand to pay for repairs and other property or management expenses. Your Landlord’s Reserve is critically important if emergency repairs are required to your property. With

funds in your Landlord’s Reserve we are able to immediately dispatch vendors to repair and protect your property, rather than waiting for you to send us funds before we can take action.

When we first start managing your property you can send us a check to fund your Landlord’s Reserve, or, alternatively, we can fund your Landlord’s Reserve out of rents received from your tenant.

When your Landlord’s Reserve account falls below the Portfolio Minimum it is replenished from the rents received.

What is the “Unpaid Bills”?

These are expenses on your account that have not been paid. If this amount is bigger than your Portfolio Minimum you may need to make funding arrangements with to pay the bill(s). Contact your property manager for detail.

What is the “Due To Owner”?

The Due To Owner is the difference between the Ending Balance, Unpaid Bills and the required Portfolio Minimum. Usually this will be \$0. If it is a negative amount it means that your Owner’s Reserve needs funding. It is replenished from the rents received, or you should contact us to make funding arrangements. If it is a positive number it may be because we are holding funds to pay for a pending expense (such as move-out repairs).

My New Tenant has just moved in. When will I start receiving my Owner Draw? This is the most frequently asked question after we move in a new tenant. Although the answer differs for every owner, we caution that you do not expect any significant rental income until the third month. The answer depends on the amount of the rent; what cleaning, repairs and maintenance expenses were incurred prior to and after the tenant took occupancy; if the owner funded their owner’s reserve by sending us a check or if it being funded from rents received; and even what time of the month the tenant moved in.

Here is a simple example to illustrate that it can take until the third month to receive an



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Owner Draw. It is based on a property that rents for \$1,000 a month where the owner has opted to have their \$500 Owner's Reserve funded from rents received:

1. In the first month the new tenant moves in to the property in the second week of the month and pays the first month's rent of \$1,000. The leasing fee for finding this tenant is one month's rent, so the \$1,000 rent is paid to Hoffman Realty as the leasing fee. There is no Owner Draw in the first month.
2. The second month the tenant pays the pro-rated rent of \$750 (we always pro-rate the second month's rent if the tenant did not move in on the 1st). Deducted from this amount is a monthly management fee, a fee for the attorney prepared lease and expenses for cleaning and move-in repairs. Lets say these total \$250. We collect \$250 from the rent for expenses and the balance of \$500 is used to fund the Owner's Reserve of \$500 as this was to be funded from rents received. There is no Owner Draw in the second month.
3. The third month the tenant pays rent of \$1,000 and there are expenses of \$100 for the monthly management fee. There is an Owner Draw of \$900 in the third month.

If Rent is due on the 1st, why is my Owner Draw paid in the middle of the month?

Our procedure is to pay our owners, when their tenants pay timely, on or before the 16th of each month. What determines this schedule is the time it takes banks to guarantee that checks have cleared. Wachovia, our bank, takes up to 7-business days to guarantee checks are clear. Note, this is different from the Federal law that requires funds to be available in 1 or 2-business days after deposit. We have had checks post to our account on the 2nd of the

month only to be reversed out of the account a week and a half later. Obviously, we can't have your owner checks bouncing. Also this is an escrow account governed by Florida law with harsh penalties if we do bounce checks. This is a policy we apply to all checks. We also apply this policy to certified funds as we have been cautioned about scams involving forged cashier's checks and money orders.

Typically, we receive rent checks on the 1st business day of the month. We receive most rent checks mid to late afternoon, so it is usually the 2nd business day of the month before we can complete the processing of rent checks and deposit them to the escrow account. We then wait 7-business days (starting on the 3rd business day of the month and ending on the 9th business day of the month) to ensure all checks clear. During this time we go on-line to Wachovia to find out if any funds have been returned. If so, we try to resolve it immediately with the tenant. If everything is OK with your tenant's rent check, we pay your Owner's Draw on the 10th business day of the month.

Some months the 10th business day falls on the 12th calendar day of the month, some months on the 16th. It all depends on the number of weekends and holidays in the month

Who can I contact if I have questions about my Owner Statements?

Owner Statements can be confusing. Please contact Pamela Pagel with questions. Email her at Pamela@HoffmanRealty.com or call her at 813-875-7474 extension 111.

If you are new to working with Hoffman Realty we encourage you to schedule a telephone call with Pamela to have her walk you through your first few monthly statements.