

Dale E Peterson Vacations

PROPERTY MANAGEMENT INFORMATION GUIDE



DALE E PETERSON VACATIONS
Beach Rentals in Northwest Florida

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INTRODUCTION

The purpose of this Property Management Guide is to give you a highlight of the Dale E Peterson Vacations Property Management Program, outline our management policies and procedures, and provide you with a basic overview of our marketing strategy.

All of us at Dale E Peterson Vacations realize that your property is a valuable investment and we are committed to providing you the most professional management services available. We also recognize there are a wide variety of choices in rental management companies and that each company's procedures and operations are diverse. We encourage you to review our Property Management Guide carefully.

Dale Peterson first started Dale E Peterson Realty in 1987. In 1997 the rental operation was split off from DEP Realty and Dale E Peterson Vacations was born. DEP Realty has been listing, selling and managing the Emerald Coast's finest properties since 1987. We have a proven track record. We can help you get the most value from your real estate investment.

Our Property Management Program

- Progressive Advertising and Marketing Programs
- A Computerized Property Management System
- Specialized Owner Services
- A Competitive Management Fee
- A Unique Property Rating Program
- Prompt Accounting and Disbursement of Rent Proceeds
- Housekeeping and Laundry services

Dale E Peterson Vacations and DEP Realty have offices located in Destin, Okaloosa Island, Mary Esther, Navarre and Seagrove. Our Destin office, located directly on Hwy 98 approximately 1 mile east of the Destin Bridge, is our corporate office. Our Reservations, Commercial Laundry and Accounting departments are located in our Hill Avenue office in Mary Esther.

Dale E Peterson Vacations and DEP Realty Locations

- Seagrove Beach (Eastern Lake)
- Ciboney Condominium (Miramar Beach)
- The Inn at Crystal Beach¹ (Crystal Beach)
- Downtown Destin
- The Boardwalk (Okaloosa Island)
- Island Princess (Okaloosa Island)
- Hill Ave. Mary Esther
- Navarre

¹ The Inn at Crystal Beach is open 24 hours per day 7 days per week year round.

We also have on site offices located at: Emerald Dunes and Crystal Dunes in Destin and Navarre Towers on Navarre Beach.

In keeping with our commitment setting the standard for quality service, Dale E Peterson Vacations and DEP Realty are actively involved with numerous professional organizations, including

- National Association of Realtors
- Vacation Rental Managers Association (VRMA)
- Florida Vacation Rental Managers Association (FVRMA).
- The Destin Chamber of Commerce
- The Walton County Chamber of Commerce
- The Okaloosa County Tourist Development Council
- The South Walton Tourist Development Council
- Visit Florida (The Florida Tourism Industry Marketing Council)
- The Navarre Chamber of Commerce
- The Santa Rosa County Tourist Development Council

These affiliations provide us with the means to keep abreast of the ever-changing trends within our industry and provide important information and training. We also receive marketing leads and data from the local tourist development councils and chamber of commerce organizations.

MARKETING

Dale E Peterson Vacations not only strives to be a great service provider, but also to produce maximum incomes for our owners. We are continually investing in technology and refining our marketing programs to ensure this goal. Some methods we will use to advertise your rental property:

Website, www.destinresorts.com continually proves to be our best vehicle for disseminating information to customers.

- Customers on our website download an average of 2,800 virtual tours per day
- In an average month our internet site serves up approximately 950,000 pages of information. This is the equivalent of over 20,000 40-page vacation catalogs per month!
- This information is generated by an average of 2,900 visitors per day.

Print Advertising

We maintain an aggressive print media campaign throughout the year. Print advertising is divided into two categories, newspaper and magazine. We regularly advertise in

several magazines such as *Southern Living*, *Southern Living Vacations*, *D Magazine*, *At Home Tennessee*, *Budget Travel*, *Atlanta Magazine*, *Montgomery Living*, *Birmingham Magazine*, and The VISIT FLORIDA Vacation Planner and Northwest Florida Vacation Planner. Our newspaper advertising covers the major cities in Georgia, Texas, Tennessee, Florida, Alabama, Louisiana, Missouri, Kentucky, Ohio, Mississippi, Illinois, Arkansas, Indiana, and Michigan. We also place newspaper advertising in hundreds of small papers in the aforementioned states to acquire customers in the outlying areas and small towns.

Printed Collateral

We also print over 350,000 direct mail pieces per year that are geared to promote bookings during the off peak seasons. We print and mail brochures and postcards three of four times per year to both repeat customers and families that we know have an interest in vacationing in the area.

Brochure Rack Distribution

Currently our materials are distributed in many locations. All of the local Chambers of Commerce distribute our brochure and materials. We also distribute brochures and materials through several of the large Florida Welcome Centers.

Email

We proactively contact more than 2 million customers from our email database. Email is a fast and effective way to ensure bookings. It also keeps our guests informed of local festivals and attractions as well as special rates and promotions.

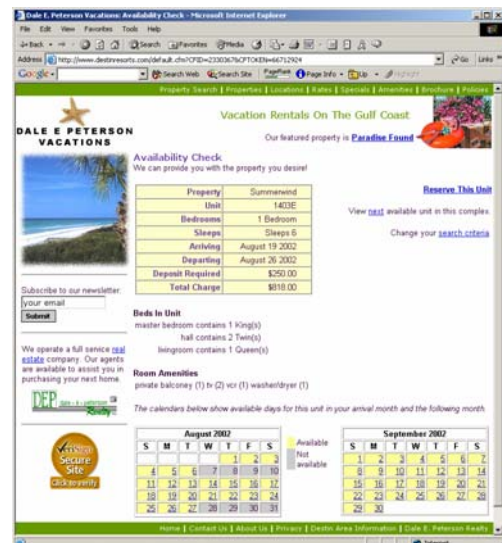
The Internet

At Dale E Peterson Vacations our Internet advertising sets our company apart from all other property management companies. Today we maintain several web sites destinresorts.com, navarrerresorts.com, depvacations.com, depassociation.com and deprealty.com. We currently average over 3000 unique visitors per day to our Internet site. Our Internet site allows a prospective guest to access and search real time availability information and book their reservation with a credit card over an encrypted connection.

Marketing Efficiency

The key to effectively marketing our rental inventory in today's competitive environment is research and development. Over the years we have made tremendous investments in technology to facilitate this process. We closely monitor all of our marketing to ensure that we are spending our marketing dollars in the proper media selections.

We have implemented a computer system that monitors our call center at real time. The data that is collected



through this system allows us to make adjustments “on the fly” in order to maximize our marketing dollars. We also collect marketing data from all customers that call into our call center as well as the customers that make use of our Internet site. This gives us further insight into what marketing efforts are the most effective so we can make adjustments as necessary.

Future Growth

Our greatest source of revenue comes from repeat business. Over the years Dale E Peterson Vacations has acquired a large customer base, and we communicate with these customers throughout the year to encourage repeat rentals. At Dale E Peterson Vacations, our mission is to set the standard for quality of service and we believe it is this focus on quality, particularly of the units on our rental management program, which keeps our customers returning year after year.

The off-season months continue to offer the greatest potential for growth. Dale E Peterson Vacations pays particular attention to developing this market. The winter months of January, February and March are increasingly popular with our "snowbird" guests. Our research indicates that one of the keys to developing the fall and spring seasons is by offering guests a vacation package. We have established a relationship with a local company who specializes in “value added” amenity packaging. We are currently offering a variety of amenities which are headlined by our golf and deep sea charter fishing packages. These packages appear as part of the room rate to the guest so they feel that they are receiving the benefit for free.

RENTAL RATES

Since each property is different, a team of knowledgeable representatives of Dale E Peterson Vacations will give careful consideration to the rental rate that should be charged.

Considerations in determining a rate

- Location and size of the property
- Number of bedrooms and bathrooms
- Overall condition of the property
- Amenities offered by the property
- Current market history and projected trends

Dale E Peterson Vacations will evaluate the property, conduct a market comparison, and then suggest a rental rate. The goal is to allow you, as owner, to reach your maximum earnings potential without overpricing your property. Overpricing of a property will severely reduce the property’s annual gross income potential.

Dale E Peterson Vacations has detailed histories on all types of rental properties. We can provide you with a projection of gross rental income on your particular property. Rental rates are adjusted on an annual basis, based on past rental demand and performance.

We ask that your property be available for rental during eight weeks of the summer season. When a reservation is confirmed to a guest, you, as the owner, agree that the rental lease takes precedence over personal usage. However, if the property is vacant, we welcome owner occupancy. We do require that you call in advance or book your property online via DEP Vacations owner website to reserve the property for personal use. All owner reservations will be confirmed in writing. Please be sure you receive a confirmation letter and verify the accuracy of the dates. Also, in order to ensure that your unit is ready for your arrival or an arriving guest we ask that you follow our normal check-in and check-out times. When calling to book your property for personal use, please let us know if you will need to pick up keys, especially if you will be arriving after office hours.

Each fall, you should decide which dates you wish to block out for personal use for the upcoming year and book your reservations as early as possible. Owner occupancies are not charged a management fee. All nonpaying guests of owners are considered personal usage.

Please note that Dale E Peterson Vacations requires an exclusive rental listing, meaning that we must handle all paying rentals.

COMPUTER SYSTEMS

Dale E Peterson Vacations operates state of the art computer network that employs the latest in technology software systems.

Computer Network Infrastructure

Our system is currently running the latest in Hewlett Packard NetServers on high-speed switched network backbones. We employ Microsoft NT® Servers. Our network is a Wide Area Network built on high-speed circuits and 3DES encryption VPN. What does this all mean to you? Our business records and communications depend heavily on computers and computer infrastructure. Our networks are built on state of the art equipment and circuits with redundancy so we can always provide quality service to our owners and guests.

Computerized Property Management

Our property management software was developed and is supported by Property Plus/Instant Software. This system offers many benefits to a property management company.

Rental Rotation

In order to insure the fairest possible booking system we use a rotation system for booking. This system determines which unit will be presented to the reservation agent as next in line to receive a booking. This is done by computing a rotation number for each unit. That rotation number is based on the number of nights that a unit is occupied during a given calendar year. The unit with the lowest rotation number (i.e. the lowest number of nights occupied for the calendar year of the reservation) is presented to the reservation agent at the top of the list. This rotation system insures that the units are booked in a manner that is fair to all owners.

Rotation is also affected by the unit grade. Units with a higher unit rating are presented to the reservation agent ahead of units with a lower unit rating. This greatly benefits the owners that keep their units in superior shape.

Work Orders

Dale E Peterson Vacations employs a number of maintenance personnel that are on call 24hrs a day to service your rental property. Our software gives us the ability to accurately track, prioritize and resolve maintenance problems in a timely manor; ensuring that a work order never “slips through the cracks”. This system also provides a 5 year detailed history of all maintenance performed in the unit.

Housekeeping

We employ an automated housekeeping system for scheduling and billing. This system insures prompt housekeeping and inspection for all departing and arriving guests.

Owner Accounting

The same computer system that we use to manage your property also keeps all of the financial data necessary for our owner accounting. This automated system provides us with the ability to produce timely and accurate owner statements, which are mailed to all owners on the rental program on the tenth of every month. DEP Vacations also offers statements via email and direct deposit into your checking or savings account.

Owner Statements

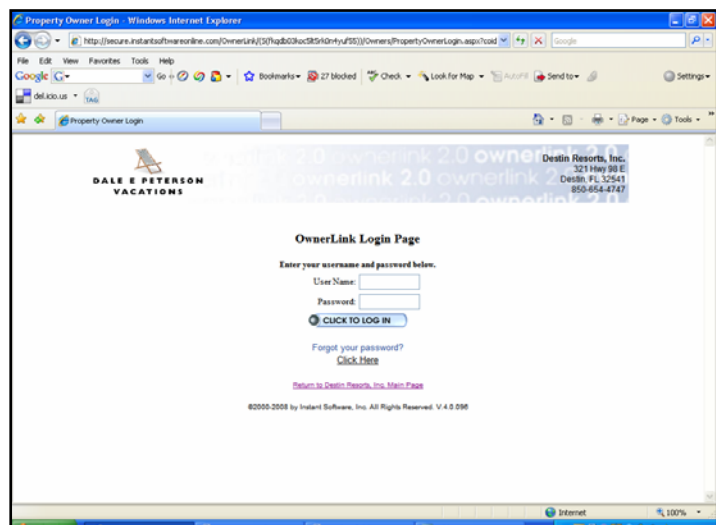
Owner statements are mailed or emailed by the tenth of each month for the previous month. This statement will give a complete accounting of all activity in your account

during that month. The information on the statement will include both rental income as well as any expenses charged against your account. Included with your owner's statement will be the work orders that correspond with any charges to your account.

We also offer a bill paying service for owners that are on our rental program. This service is offered at a small monthly fee. The bill paying service will pay all utility bills and homeowners' assessments for the unit that is on the rental program. At this time we will not make mortgage payments for property.

Owner Internet Services

We have developed a system that allows owners access to a secure Internet site that will provide information about their property. The features of the owner website include past and present owner statements, future reservations, information and statistics, view work orders, check availability, book owner reservations, and contact info. This system has greatly enhanced communication between owners and Dale E Peterson Vacations, as well as providing the owner with near real time information about activity in their rental unit.



We will continue to develop features for the owner Internet service to add additional services as they become available.

Owner Bonus Program

Dale E. Peterson Vacations introduced the Owner Bonus Program in August of 2002. This program allows owners to receive commissions for referrals they make to Dale E. Peterson Vacations. Owners have the option of enrolling in the program. Once enrolled an owner can refer guests to rent their unit and earn a bonus.

In the event your unit is already rented the reservation can be placed in another unit and you will still be paid the bonus. Some owners on the program are very active in this program and are earning top revenues as a result. Please ask your Dale E Peterson Vacations' rental manager or other company representative for further details.

RESERVATION PROCEDURES

The majority of all reservations are made in advance by telephone. For this reason, Dale E Peterson Vacations is committed to providing our reservations department with

excellent training and continuing education. When a call is taken by one of our reservationists and the customer has not selected a particular property, the following questions are asked to help guests select the property most appropriate for them.

Choosing the Correct Vacation Property for a Guest

- Do you prefer a condominium or private home?
- What location do you prefer?
- What amenities do you desire? (Pool, Golf, Jacuzzi, Etc.)
- How many adults and children are in your party?
- Do you have a price range you wish to stay within?

In most cases, these questions will help the reservationists determine which accommodation will be most suitable for the guest. All properties are set up on a rotation system and if more than one property is suitable and available, our computer system will automatically select the next one in rotation. The rotation system is specific to a particular complex. In the event that a reservation agent is searching all like units in a given complex then the units in that complex are displayed in rotation order.

Deposit Policies

Once a property has been selected and reserved, the reservation agent explains that a deposit is required for confirmation. All properties require a deposit for daily or weekly rentals. Monthly condominium rentals require a deposit of at least \$200. Deposits on private homes range from \$200 to \$1,000.

Advanced Payment

This deposit method allows the guest to prepay rent equal to the deposit amount. Upon check-in the advanced payment is applied towards the total rent and tax. In lieu of a damage deposit the credit card that was used to make the advanced payment is electronically swiped and the guest signs an agreement that states that the credit card can be charged in the event of damage. Upon departure the unit is cleaned and inspected for damage and missing items. In the event there has been damage the repair bill will be charged to the credit card. This method is by far the most common method of securing a reservation.

Security/Damage Deposit

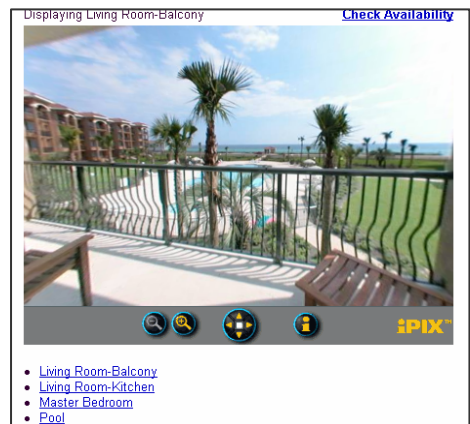
In some cases a damage deposit is the preferred method of securing a reservation. In this case the guest must mail a check in the amount of the deposit within 7 days of booking the reservation. The reservation is not confirmed to the guest until the deposit is received. When the check is received it is deposited into an escrow account and held there. Upon check-in the guest must pay the full amount of rent and tax. Upon departure the unit is cleaned and inspected. If there is damage the amount of the repairs is deducted from the deposit and the balance is mailed back to the guest. If there is no damage we will refund the deposit to the guest.

All policies and procedures are explained to each guest when the reservation is made. The guest also receives our policies and procedures in writing with their confirmation letter. This confirmation includes notice of check-in times and check-out times, cancellation restrictions, and our "No Pets Policy". Check-in time is from 3:00 to 5:00 PM. All monthly reservations and all private home reservations require a 30 to 120 day notice of cancellation. Daily and weekly condominium reservations require a 14 to 45 day notice of cancellation. When guests forfeit their deposit, you as owner will receive this amount less management fee.

Rents not paid in advance are due upon arrival. At check-in, guests receive keys and directions to the property, as well as other helpful information in their check-in packet. Guests are asked to return their keys to the office where they checked-in and to check-out by 10:00 am so that we may have time to prepare the unit for the next guest.

Virtual Tour Program

After extensive research into guest preferences, we discovered that interior and view photos are the most desired tools that potential guests would like to have before deciding on a vacation. In response to this, Dale E. Peterson Vacations introduced the Virtual Tour Program in November of 2002. This optional program allows on-line guests to view interior tours of units, check availability and then reserve the unit that they select. The tours take the guesswork away providing the guest with the comfort of knowing what they are buying. When compared, properties with virtual tours traditionally yield between 15% and 20% higher annual gross incomes than like kind properties without virtual tours.



Yield Management

One of the practices employed by Dale E Peterson Vacations to maximize unit income is called packing. Packing is necessary in situations where reservations of less than one week are being taken for a group of similar properties. Dale E Peterson Vacations will, from time to time, move reservations among similar units in order to prevent one and two night vacancies in a unit. This practice improves the efficiency of the rental program and increases the gross rental potential of the units that are being packed. This is an important concept for maximizing the income for all units on the rental program.

MAINTENANCE AND REPAIRS

Dale E Peterson Vacations also offers services for sub-contract repairs and will arrange for subcontractors, if needed and approved by you. Cost for damages proven to be caused by a guest will be deducted from that guest's deposit. A copy of the work order for all repairs will be provided to you with your monthly statement.

Maintenance on Call

If you or a guest reports a maintenance problem Dale E Peterson Vacations offers 24-hour a day, 7 days a week maintenance service to handle these situations as they arise. The Dale E Peterson Vacations maintenance staff and subcontractors that are utilized by Dale E Peterson Vacations are highly qualified and have done quality business with Dale E Peterson Vacations for many years.

Preventative Maintenance

Preventative maintenance is conducted on a regular basis. This service includes inspection of air-conditioning filters, smoke alarm batteries, fire extinguishers, as well as interior and exterior lights. Your property is also checked for any noticeable maintenance problems and then repaired or referred to you. Annually, a major inspection and inventory is conducted to ensure that your property is in an attractive condition and offers the necessary amenities.

During the year, your property may be vacant at different times. Dale E Peterson Vacations takes this opportunity to check for any maintenance items that may need attention.

Minor Maintenance Program

The minor maintenance program was put into place in an effort to help owners of rental property keep maintenance costs down. This elective program provides one annual fee to handle all minor maintenance items in their unit for the year. This prevents you from being charged for every light bulb and air conditioning filter that is installed in the unit. The program covers many other common maintenance repairs necessary in your rental home. For a full list of items covered please see Addendum "A" of the Seasonal Property Management Agreement or contact your rental manager.

HOUSEKEEPING

Dale E Peterson Vacations realizes that housekeeping is an important aspect of vacation rental management. Over the years we have built a reputation of having the highest quality housekeeping in the property management business. We take great pride in supervising the care and upkeep of your property.

Linen Pool

Dale E Peterson Vacations maintains a linen pool for our rental inventory. All owners are required to purchase an initial supply of linens. The amount of linen required to set up a property for a rental arrival is referred to as a *turn*. A turn is one complete set of linens including towels, sheets, and kitchen linens. The initial supply of the linens is equal to three complete turns. Once per year the linen pool is inventoried. When the inventory is completed linens are purchased to bring the pool back to par and the owners are charged a pro rata share of the linens. As a rule of thumb you can expect

approximately one to one and a half turns of linen lost per year in shrinkage. Linen pools for condominiums are grouped by condominium complexes. Linen pools for houses are grouped by geographical area.

Commercial Laundry

In 2000 we opened a new commercial laundry facility. We determined that the commercial laundry facilities that were available to us were not capable of handling the volume of linen that we are producing during the summer season. In addition, large amounts of laundry were not coming back from the other laundry facilities and costing our owners more to maintain the linen pool.

In June of 2000 we opened Resort Laundry Services. This state of the art laundry facility is capable of producing six tons of clean linen per day. The equipment in the laundry is Braun commercial washers, dryers, steam ironer/folder and towel folders. All of the water in the system is treated by a commercial Ozone water treatment system.

Since we opened the laundry we have noticed a drastic reduction in lost and damaged linen for our owners. This has resulted in a decrease in the annual linen replenishment charge the owners were being charged for missing and damaged linens each year. We have also noticed an increase in the overall satisfaction of our housekeeping as a result of the cleaner linens.

Departure Cleans

Housekeeping is provided after each departure whether a guest or you, the owner, have occupied the property. This service includes a general cleaning of the unit, bed linen, fresh towels, an initial supply of toilet tissue and bath soap. After your property is cleaned someone from Dale E Peterson Vacations will personally inspect the overall condition of the unit as well as the cleanliness. We believe that the only way to manage a property effectively is to physically inspect it after each departure.

Deep Cleans

Twice per year properties receive a very thorough deep cleaning. During the deep clean carpets and upholstery are professionally cleaned. Also at this time your property is inventoried and assigned a unit rating.

UNIT RATING SYSTEM

Dale E Peterson Vacations not only wants your unit to make a good first impression, we also want it to make a lasting impression. We are committed to doing everything we can to improve the success rate of our rental program for you, the owner. To help us accomplish this goal, we have implemented a Unit Rating System.

Unit ratings are necessary in order to provide the guest with the accommodation level that they are expecting. The unit rating is a quick and concise way of alerting the reservation agent to the condition of the property that they are discussing with the guest. The unit rating will effect a unit's position in rotation. This means that the units that are in the best shape will be rented more often than units that are not furnished to the same standard.

Below is a more detailed explanation of each rating type. You will find a Required Furnishings/Inventory List in the back of this guide. Please refer to this information when preparing your property for rental. If your time is limited, your Rental Manager will be happy to assist you or make recommendations of qualified persons that can help you.

The rating types and criteria are:

- **Superior:** Units of this type have gone above and beyond the Required Furnishings/Inventory list and qualifications necessary to be included on our rental program.
- **Deluxe:** Units of this type have not just met the minimum prerequisites, but have also exceeded the Required Furnishings/Inventory list and qualifications necessary to be included on our rental program.
- **Standard:** Units of this type have met the minimum prerequisites of the Required Furnishings/Inventory list and qualifications necessary to be included in our rental Program.

General guidelines used to establish a Superior unit:

- A Superior unit has a luxurious feel and designer furnishings.
- The living rooms and bedrooms are above average size and very well appointed with exceptional, quality furnishings, window treatments and decorative accessories.
- Remote control televisions, DVD players and telephones are in every room. Each bedroom is equipped with a clock radio.
- Oversize bathrooms are functionally well lit, have fixtures consistent with the unit's décor, as well as superior quality furnishings and extra touches. Decorator shower curtains are a must.
- Kitchens are equipped to accommodate the most discriminating cook. The microwave must be built-in. The unit contains matched sets of high quality durable cookware, bake ware, dishware, glasses and flatware. Dishes, glassware and flatware are provided to accommodate two times the number the unit sleeps. All appliances are upgraded from standard; the refrigerator is a side-by-side model with ice and water available through the door. There is an ice machine or an icemaker in the freezer. Kitchens are functionally well lit with fixtures consistent with the unit's décor.
- All furnishings are of designer quality and in new condition.
- The balconies or deck areas should be an extension of the unit and maintained and furnished in the same order. Balconies feature higher quality furniture with a variety of chairs and lounges and a table suitable for outside dining (if balcony size permits), all in excellent condition.
- A Superior unit should have all the comforts of home. Whirlpool tubs and wet bars are beneficial. A stereo with a CD player is a must. Rooms must have ceiling fans with light kits if possible.
- Painted walls are fresh and clean. Wallpaper is designer quality, professionally installed and matches the overall décor of the unit.
- A Superior unit should entice the tenant to return again and again.

Specific Minimum Requirements for a Superior Unit:

- Crown molding in the living room, dining room, hallway and master bedroom.
- Counter tops must be upgraded to Corian®, marble, granite or tile.
- Designer lighting throughout to include high hats, recessed lighting and chandeliers
- Plumbing fixtures throughout the unit are upgraded from standard
- Cabinets are upgraded in kitchen and bathrooms
- Living room televisions are large screen - minimum of 27" in 1 bedroom and 32" in 2+ bedrooms and equipped with a DVD player.
- Living area is equipped with a cordless telephone, all bedroom have telephones
- Balcony floor is finished
- Unit flooring is designer tile, marble or upgraded carpet

- Dishes, flatware and glassware are upgrades from standard condo package
- Window coverings include lined drapes, cornices, board tops, etc.

General guidelines used to establish a Deluxe Unit:

- A deluxe unit is inviting, stylishly furnished and decorated.
- All of the rooms have quality, upgraded furniture that matches or blends well and is arranged to maximize use of space.
- Decorative appointments are of good quality and enhance or define a decorative theme. Window treatments are high quality and continue that theme. Lined drapes are preferred over vertical blinds.
- The flooring is of good quality and has no stains or traffic wear.
- The walls are free of stains and match the unit's décor. The bedrooms have nice plump pillows and quality, comfortable mattresses. The bedding is in great condition.
- The kitchens and bathrooms are spacious with functional lighting. The appliances and fixtures must be in excellent condition. Dishes, utensils, pots, pans, and other kitchen items must match and be of good quality. Dishes, glassware and flatware must accommodate 1.5 times the number the unit sleeps.
- Remote control televisions and DVD players will be in the living room and master bedroom. The living room television will be 27" or larger with a DVD player. A small stereo with a CD player is a must.
- If possible, bedrooms and living room must have ceiling fans.

General Guidelines to establish a Standard unit:

- A Standard unit must be clean and comfortable. Furnishings are well maintained, color coordinated and blend well throughout.
- There are ample eating accommodations for the maximum number of occupants specified in the unit. The dishes, glasses and flatware accommodate 1½ times the number the unit sleeps.
- The bedspreads, draperies, window coverings, and shower curtains are well cared for and blend well with the furnishing.
- Flooring and wall covering are free of stains and in good condition. Artwork enhances the unit's décor.
- Appliances and fixtures are in good condition.
- Furnishings can be of modest quality, but condition, overall appearance and color coordination are very important.
- The living room is equipped with a 25" (or larger) remote controlled television and DVD player. At least one bedroom has a remote controlled television. Master bedroom has a clock radio.

Helpful suggestions for all units:

- See or stay in your unit as often as possible to monitor condition and functionality. View the unit as if you are the paying guest.
- Lined drapes are the most durable and easy to maintain window treatments. If you prefer the contemporary look of blinds, consider plantation-blinds over vertical blinds. However, vertical blinds are not recommended for sliding glass doors.
- Adding a second double or queen size bed in one bedroom can replace a sleeper sofa, extending the life span of your living room furniture.
- Stainless steel cookware, although initially more expensive than non-stick, will hold up much longer, requiring fewer replacements. The molded Rubbermaid-type outside furniture provides the best durability. Less expensive folding chairs should be available for beach use. Plan to replace these often because the salt water and air corrodes them quickly.
- The better quality vacuum cleaners extend the life of your carpet. Always have extra belts and bags available.
- Coastal weather conditions do not agree with brass accessories. Avoid brass, if at all possible.
- Rotating mattresses several times a year will greatly prolong their life span.
- If you are an owner of a condominium unit, put your unit number on as many items as possible with a permanent marker.
- Safe, quality, functional lighting is very important. Halogen lights are not recommended. National consumer safety groups have found them to be dangerous.
- Your Dale E Peterson Vacations Rental Manager can recommend highly qualified professionals in the area to assist you with decorating or routine repair work.
- Consider leaving a guest book in your unit. It makes guests feel welcome and will provide you a personal view of their stay.

Welcome Aboard

We are dedicated to providing you with the highest quality service for your investment. We look forward to you joining the Dale E Peterson Vacations family.

If you have any questions about this document or any of the other documents in this package please don't hesitate to contact us. We are happy to answer any questions or resolve any problems that you may have.

You may reach us at:

Phone: 850.654.4747

Email: owner@destinresorts.com

Fax: 850.654.4748



DALE E PETERSON VACATIONS

**FREQUENTLY ASKED
RENTAL QUESTIONS**

Damage Deposit

What is the difference between a damage deposit and an advance payment?

The majority of properties rented by DEP Vacations operate on an advance payment policy. An advanced payment is an advanced payment of rent at the time of booking to secure the stay. When the guest checks in the advanced payment is deducted from the total rent and tax and we electronically enter their credit card in our system in place of a damage deposit. In the event of damage the guest's credit card is typically charged for the damage.

A damage deposit is when the guest mails a check at the time of booking. Upon arrival the guest is charged the full amount of rent and tax. After the guest departs and the unit is inspected a refund check is mailed to the guest for the balance of the deposit.

Why does DEP not collect a damage deposit for every property/reservation?

Over the years we have determined that the administrative costs involved in trying to collect, account for and refund a damage deposit from guests far exceed the actual collection on damages. Also, if there is no deposit or if the damage exceeds the damage deposit, the Rental Manager contacts the guest to get the payment. If the guest denies the damage and refuses payment, DEP pays for the damage subject to normal wear and tear.

It is not feasible to collect damage deposits on every reservation due to the tremendous amount of time and resources it takes to process deposit refunds. It is also a significant detriment to booking your property. Most guests do not expect to pay a damage deposit for a booking and will seek out properties where this is not required.

From historical information garnered over 20 years of business, the damage deposit is an ineffective way of deterring guests from damaging property.

How do you collect for damages above the amount of the deposit, or if there is no deposit?

DEP does everything in their power to collect from the guest. If it is minor damage that we should have noted during a post stay inspection but was missed, DEP will pay for the repairs or replacing the damage or stolen item. If the damage is major, DEP will either seek reimbursement from the owner's insurance policy or split the cost of

the damages with the owner. For example: if a 1 yr old carpet gets burned with an iron, we try to recover the cost from the guest. If we can't, then we pay the deductible and ask that your insurance company replace the damage carpet.

If a guest notifies us of the damages before departure, we will attempt to secure payment or authorization to charge his or her credit card for the amount of the damage. If the damage is discovered after departure and is substantial enough to warrant pursuing, we will send the guest a letter requesting payment. Pursuant to Florida law we cannot force the guest to pay or charge their credit card for damages without authorization.

Does housekeeping do inventories while cleaning?

In general, housekeeping does not do inventories while cleaning. The turn around time for cleaning is limited. Most housekeepers have several units to clean per day. Housekeepers do make an effort to try and notice major items throughout the year that would go missing (i.e. DVD player, pictures, etc.).

The housekeeping department performs inventories twice a year in the spring and fall. They do try to make sure that there are always enough dishes and cookware in a unit and they have a list of small appliances that should be in the unit.

What items are considered “wear and tear” items?

Items such as glassware, flatware, small appliances that last a short time, and most kitchen inventory items are covered under wear and tear. Furniture, carpet and bedspreads all have a “useful” life. If these are damaged and need replacement prior to the end of their useful life DEP will address the depreciated values and replace it for you. This is a DEP expense only if it is damaged by a guest and DEP is unable to collect from the guest. As a general rule in a rental property you should plan to paint every 2 to 3 years and replace carpet every 4 to 5 years. All furniture and fixtures are subject to wear and tear.

Deep Cleans

What does the deep clean consist of?

A deep clean is a very thorough cleaning of the unit that includes the following special cleaning: interior and exterior cleaning of kitchen cupboards and their contents; cleaning behind all heavy kitchen appliances that are movable, oven cleaning, vacuuming and turning mattresses; cleaning bed pads, bedspreads, and small floor rugs; washing light fixtures and ceiling fans; vacuuming draperies and window treatments (including the tops of them); washing woodwork and walls where spotted and soiled; cleaning bath exhaust vents; scrubbing all bath tile and floors; moving out all furniture from walls and cleaning under and around it. The deep clean

also includes performing all other tasks that are done in a normal departure clean, i.e. dusting, vacuuming, etc. An inventory is usually conducted at the same time and carpet/upholstery cleans are scheduled if needed. This information can also be found in the Seasonal Property Management Agreement.

Why is carpet cleaning not included in the deep clean?

Carpets cannot always be cleaned immediately after a deep clean is completed. This service cannot be performed by the DEP housekeeping department so it must be billed separately, as per the Seasonal Property Management Agreement; charges will be paid to an outside vendor.

Comp Stays

Who stayed in my unit during a comp stay?

This information is confidential in nature. In most cases, it involves travel writers or tour operators who do not wish to be contacted by any specific unit owner.

Complimentary stays are used for a number of reasons, i.e. promotional trade as in direct trade for marketing media placement, publicity, or travel agent familiarization; site inspections for group coordinators and travel writers and/or publicists; familiarization for reservation agents; employee recognition; charity contribution and convincing a disgruntled customer to return. Each of these plays an important part in our business. Complimentary stays are important to a property's continued success in the rental market and critical for new locations. When an owner desires to know the specifics of the reservation, it is best for the manager to contact the person who approved the reservation to determine the basis of the stay.

How many comp stays are there at my property and can I book them myself?

The number of comp nights that DEP is allowed to book per unit is generally 3-5. The specific number is printed in every Seasonal Property Management Agreement. An owner can book his own unit with a complimentary reservation, too, but it would be listed as an owner's guest reservation and would not count against the contractual complimentary nights.

When do comp stays roll over?

Comp stays coincide with the calendar year. January 1st is the roll over date. Comp nights do not carry over from one year to the next. Any comp nights remaining at the end of the year are not applied to the next year.

Bookings

Why are my bookings less than last year?

There are many factors that are responsible for moving our market. The available rental inventory in our area along with inventories in competing areas is constantly changing. There is increasing competition from other tourist destinations and we have seen a trend toward shorter stays and less lead-time on advance reservations.

DEP is doing everything possible to entice guests to the area. DEP's Marketing Department will spend \$1 million this year to secure and increase bookings for every unit on DEP's program. Unfortunately, while we can control our marketing efforts, we cannot control the decisions made by the traveling public, which is the main reason that occupancies in your unit may vary year to year.

What makes reservations book my unit property over another DEP managed property?

Agents determine from the guest data which property best suits the needs, i.e. their arrivals and departure dates, the geographic area (Okaloosa Island, Destin, 30A, Crystal Beach area, etc.) amenities, size, their price range and other guest needs. This is then correlated with units in rotation. Rotation is part of the system that insures reservations are getting distributed evenly among all of the units on the rental program.

How does my unit come up in rotation?

The DEP rotation system is set up to give the highest graded unit the top priority to accrue gross rental income. The computer calculates the number of occupied nights in each unit. When an agent enters the individualized data of a guest (i.e. arrival/departure dates, area, etc.) the computer generates a list that shows those units with the highest rating and fewest number of occupied room nights first. When an agent searches availability, Superior units will be listed first followed by Deluxe, then Standard.

How do you control who rents for spring break?

DEP Vacation's age policy for booking a reservation is; all individuals in that party must be 25 years or older. An individual that is under the age of 25 must be traveling with their parent or guardian. During spring break the reservationists and front desk personnel use extra caution. We check identification of guests to be sure that no one is under the age of 25 unless accompanied by a parent or guardian. DEP Vacations

enforces a stricter version of this policy for certain homeowner's associations during certain times of the year.

DEP reserves the right to deny service to any person or group.

We ask for ID's, names and ages of all guests, and any other pertinent information that will help 'weed out' any spring breakers who are under the age of 25 and do not have parents or guardians staying with them.

Housekeeping

Why does the quality of housekeeping seem inconsistent?

Housekeeping is usually very rushed between departures and check-ins. Occasionally they overlook some items. If you notice that certain areas are consistently missed, please tell your rental manager about it and we will address any issues with the housekeeping department. Housekeeping is without doubt the most challenging part of the management business and we will always strive to be the best.

Why can't we use our own housekeeping?

We are responsible for the sanitation in every unit. The state's Division of Hotels and Restaurants inspect the units. We are held responsible for meeting their requirements.

If owners arranged for their own cleaning, we could not guarantee sanitation, control and coordinate use of linens and towels, keep track of guest arrivals and departures, or coordinate special guest requests in the unit, such as putting cribs in the room. We also must maintain control of the timetable on days where one guest is departing and another is arriving.

Can I clean my unit when we occupy it?

We do not allow owners to clean their own units for the reasons listed above (see above).

Owner Use and/or Bookings

I know my unit is not occupied right now so I don't need a reservation, right?

No. As a company one of our largest responsibilities is ensuring security for your property and the guests who rent it. We operate 24 hours per day and availability changes on a minute by minute basis. It is possible that you would walk in on a guest which can be a very dangerous situation. It is also possible that we could send a guest into your unit while you are occupying it, if you do not have a reservation. Reservations are IMPERATIVE. If you are just checking on your unit or not staying the night you must still coordinate access to the unit through our office.

Can I give my key to a vendor to do some work in my unit?

No. DEP must control access to the unit. In the event keys are provided to a vendor outside of our control the unit must be re-keyed by a locksmith at the owner's expense. DEP will work with you and any of your vendors to make sure access to the unit is controlled.

How often can I use my unit?

The only restriction DEP places on owner is stated in your Seasonal Property Management Agreement which states you must have your unit available for 8 weeks of the 12-week summer period. However, you may wish to discuss tax implications for owner usage over a certain number of days per given year with your CPA or financial advisor.

What if I want a guest moved?

If it is possible to move a guest to a comparable unit we will do so. We discourage owner from requesting this as many times nothing is available that is comparable to move the guest to. This creates a difficult situation with our guests. In the event nothing comparable is available the guest will be upgraded at the owner's expense. In the event the guest cancels due to the move the owner will be charged the management fee that we would have earned on the reservation.

Can I put an ad in the newspaper to rent my unit?

Yes, as a company, we encourage owners to do everything in their power to help rent their unit. However, please keep in mind that DEP is due a commission for any guests who rent your unit on our program. We offer a program to our owners where we will pay you a commission for bookings that you generate. In the event you procure a reservation and your unit is not available we will accept the booking for another unit and pay you a commission. We have some owners on our program who aggressively market and are compensated well for their efforts.

Also, once you have booked an owner bonus program reservation with us in a given year you are not subject to travel agent charges for the rest of that year.

It states in the contract that you only require a certain number of weeks in the summer to be available to book. Can we rent the unit other times? Why?

No, DEP requires this as a bare minimum and encourages more weeks, if possible. We do not allow renting either directly through an owner or through other rental management companies due to our need to manage and control your unit for maximization of your occupancy levels. We encourage owners to refer guests to our reservations department for booking into their property. (See Above)

Do you have an owner incentive to book our unit? (Lower commission for booking?)

Yes, our owner travel agent program has been very successful. If an owner books his unit with a paying guest, he should contact reservations to book the reservation and notify the booking agent in reservations of your owner bonus program ID number. This will generate a check to you for a portion of the management fee for the reservation. We believe this system is better than reducing the commission because you can still earn a commission in the event your unit is not available and we place the reservation in another unit.

How far in advance do you book reservations?

We accept reservations up to one year in advance. This is important because you need to make sure and book owner use reservations early to prevent conflicts. Once a reservation is booked it can be difficult to move and may result in an owner being charged additional fees. This is also important if you are contemplating selling your unit. Pre-booked reservations are attractive to most buyers. In most cases, when a unit sells the new owner keeps it on the rental program and the transition is smooth. When you sell your unit you should make the sale subject to the rental management agreement and pre-booked reservations. If this is not possible we will exhaust every effort to move the reservations to other units. In the event that it is not possible to do so and reservations are cancelled the owner will be charged the management fee that would have been earned on the reservations. The owner will also be charged if the reservations must be moved to a more expensive accommodation.

Why do I have to pay travel agents a commission?

Travel agents generate about 5% of business. These fees are a cost of doing business.

If you participate in the Owner Bonus Program and have booked at least one reservation in a given calendar year you are not subject to being charged travel agent fees.

Why do I have to pay the credit card fees? Can't you demand another form of payment?

Credit cards are commonly used and a cost of doing business. We are in a customer driven business and must respond to the requests and needs of the customer base. Over half of our customers that vacation along the Emerald Coast wish to use credit cards. DEP's size and volume has, however, allowed us to negotiate some of the lowest credit card fees available within the state. Also, the amount of credit card fee is charged based on the actual credit card charge. If half of a reservation is paid in cash or with a check with the remaining amount charged to a credit card; the credit card fee which is charged to the owner is calculated on the actual credit card charge amount.

Linen pool

What is a "linen pool"?

A linen pool contains all the linens that are used by the units on the rental program. This pool is replenished annually and is owned by DEP. Each unit in the pool is charged an annual pro rata share to maintain the linen inventory.

What does a "turn" consist of?

A complete linen turn is calculated as follows:

Towels, Wash Cloths and Hand Towels= (# unit Sleeps) X 2

Bath Mats= (# of bathrooms) X 2

Sheets, Fitted and Flat= (# of Beds) X 1 (Includes and sleeper sofas.

Kitchen Towels and Kitchen Rags= (# of kitchens) X 4

Can I provide my own linens for my unit?

No, since you are not actually purchasing linen, you are buying share in the linen pool. We purchase linen in large bulk orders once per year directly from the mills. We can purchase these linens on your behalf cheaper than you could go out and purchase them. Many owners keep personal linens in you locked owners closet to use when you are staying in the unit. It is important that you place them back in your owner's closet before you depart to insure they are not removed from the unit.

Can I carry my linen pool over to my other DEP unit (if I have two or more rentals with DEP)?

No, linen pools are location specific.

**How many types of linen and towels do we get for that amount?
What will the prorated replacement cost be each year?**

When an owner puts his unit on the DEP rental program, the owner is required to pay an initiation fee or linen set up fee. This fee purchases 3 ½ turns of towels and linens. A turn is one complete set of sheets and towels for your unit. (Some properties include other items in the initiation fee; therefore the fee varies by property.) The prorated replacement cost is an annual fee charged to rental unit owners. The fee is determined by the amount of “shrinkage” in the linen pool due to stains, tears, theft, etc. Generally, about 1/3 of linens are discarded or lost during a calendar year.

Can I provide my own linens for my unit?

No, since you are not actually purchasing linen, you are buying share in the linen pool. We purchase linen in large bulk orders once per year directly from the mills. We can purchase these linens on your behalf cheaper than you could go out and purchase them. Many owners keep personal linens in you locked owners closet to use when you are staying in the unit. It is important that you place them back in your owner’s closet before you depart to insure they are not removed from the unit.

If I take my unit off the DEP rental program what linens do I take with me?

Any unit leaving the program is set up with one turn of linen.

DEP Unit Segmentation Questions

Why is my unit rated standard?

The DEP criteria are very specific and place equal emphasis on the condition of the bathrooms and kitchens, as well as on the furnishings and overall décor. If your unit is presently rated standard, it is likely that the kitchen appliances are more than 10 yrs old and showing wear and tear. Original kitchen and bath cabinets and countertops also have dated appearances. If other areas of the unit are showing wear, then the overall appearance and condition of your unit will not qualify for a higher grade.

You have told me that my kitchen cabinets need replacing. Why? Even though they are 15 years old, manufacturers are still making that style of cabinet. Why do you say they are “dated”?

The style of the cabinet is not dated. The surfaces of the cabinet doors and drawers, however, are either chipped or their surface is dulled by many years of washing. The wood trim may also need refinishing.

Even though my original appliances are 15 years old, they still work. Why must I replace them?

If your appliances are still working and have not had many service calls, there is no need to replace them unless their appearance is unsightly. Most 12-15 year old appliances, however, are showing rust or other exterior defects and need replacement. A unit may not be graded a deluxe or superior, however, unless all major appliances are in good working order and have “like new” exteriors.

Even though my current unit condition report has my unit graded a standard; I’ve been told that I must do certain upgrades in order to remain on the rental program. I thought it was okay to be standard. Why do I have to do these upgrades?

Every rental unit must maintain the ‘minimum’ standards of a standard unit in order to remain on the program. If your furnishings, appliances, carpeting, etc. do not meet the standard, then they must be replaced. An owner has 90 days to make these improvements. Your rental manager will assist you in obtaining items and services for you unit at your request. If the work is not completed/scheduled to be done within that time frame, then the unit will be removed from the program. Be certain to clarify with your rental manager what needs to be done to ensure that your unit remains on the program.

I don’t like the idea of someone telling me what I must spend or do in my unit to keep it on the rental program. Isn’t this just another way for DEP to make more money off me?

No, the grading system evolved from our guests telling us what they expected to receive for the dollars they spent when renting a vacation accommodation. Over the years the traveling public has kept raising the bar of expectations, creating a very competitive market place. The relationship between DEP and the owners is a partnership. The only way either of us gets a return on our investments is meeting the expectations of our guests.

Our property has a large repeat base of guests who have been coming for years. Won't they continue to rent our units regardless of the condition of our rental units?

No, unfortunately, the majority of guests are fickle. Current occupancy trends reflect that the newer properties are booking before the "older" properties. To attract new guests, these new properties are renting their brand new units at the same or lower rate than many of our more established properties. If the older unit is not perceived as attractive as the newer one, a guest's first preference will be the new property.

My unit was graded deluxe. Should I spend more money to make it superior?

Not necessarily. For owners who purchase their units strictly as a rental investment and use their units very infrequently for personal use, the deluxe grade will most likely give them the best return on their investment. The majority of guests who choose this property will be very happy with a standard/deluxe unit. There is no guarantee that investing the extra money to make the unit a higher grade will be returned to the owner in greater rental revenue.

Misc.

Why am I required to keep money in my DEP owner account?

These funds are maintained on your account to help offset expenses that occur in your unit when revenues are not enough to cover the expenses. The amount is typically \$100-\$200 depending on whether we pay your reoccurring monthly bills for you or if you handle those on your own. DEP is able to purchase items on your behalf or order work to be done in your unit and charge your account for your convenience. Negative escrow balances that are not paid in a timely manner place undue collection duties on your rental manager and they are unable to dedicate their time completely to making sure your unit is taken care of in the best manner possible.

What is the origination and/or transfer fee?

These fees are charged to an owner for the administrative work involved in placing a unit on the rental program. The higher origination fee is assessed for any unit that has not been on our rental program within the last six months. The transfer fee is charged whenever the ownership of a current rental unit is transferred to a new owner. The fees cover not only the time required to process all paperwork involved in bringing a

unit on line, but also the manager's time that is spent coordination the tasks of the various departments and vendors required to place the unit on the program.

What is the reservation fee?

Reservation fees are charged on paying guest reservations only. This fee helps defray the very high cost of operating a reservations call center. It also covers other costs associated with servicing a reservation, mailing confirmations and keeping the guest apprised of any changes. These services not only include booking the guests' reservations, but also the service of providing qualified personnel who are trained to respond to owners' and guests' at any time.

What should I do if I want to sell my unit?

It is not necessary to take your unit off the rental program to sell it. Having pre-booked reservations in your unit is attractive to most buyers. Having your unit on the rental program can limit your realtor's ability to show the unit, but we will make every effort to facilitate this with the guest. Some simple guidelines when selling your unit are:

1. Never give a key to your unit to your realtor. We MUST control access to the unit and providing a key to any outside vendor will result in your unit having to be re-keyed at your expense.
2. Your realtor must coordinate all access and showing through our office to insure security for the guest.
3. Your realtor should never call the unit to talk to the guest to request a showing. If your unit is occupied by a guest all showings are at the guest's discretion. It is critical that the guest not be contacted by vendors outside our office.

It can be challenging to show your unit to prospective buyers during certain times of the year. We will exhaust all efforts to help your realtor to show the unit at a time convenient to all parties involved.

Can Dale E. Peterson Vacations refer me to a Realtor®?

Dale E Peterson Realty, Inc. has been listing and selling the Emerald Coast of Florida for over 20 years, making it one of the areas oldest and most experienced real estate companies. Many of our agents are native to the Emerald Coast and not only know the area intimately but have also weathered the market changes over the last 30 years. Our knowledge and experience coupled with the highest standard of service to our customers is a winning combination. We are here to serve and fulfill your real estate goals.