



NEST MANAGERS

FULL SERVICE REAL ESTATE FIRM

WELCOME TO NEST MANAGERS

OWNER HANDBOOK

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INTRODUCTION

The purpose of this manual is to communicate the policies, procedures, and practices that dictate how we intend to manage your property. It will serve as your guide to our management practices. Properly used, this document will enhance communication between us and make our ongoing relationship stronger and more transparent. The Owner's Handbook will be updated annually as we work to keep up with changes in the laws and economics that affect the property management business.

WELCOME FROM THE OWNERS OF NEST MANAGERS REAL ESTATE

Thank you for choosing Nest Managers Real Estate to lease and manage your rental property. We appreciate your vote of confidence and will work hard to prove you made the right decision. This handbook is just one of the ways we've developed over the years to set your expectations for our relationship and communicate to our new owners just how we manage properties. Every manager has their own way of doing property management whether they're in Australia, California, Florida or Fayetteville, NC. Setting expectations is important as we strive to serve our owners.

WHO WE ARE

Nest Managers Real Estate is a full-service Investment, Brokerage, Leasing and Management
Nest Managers Real Estate.....Exceeding Your Expectations

Striving to exceed your expectations is a big challenge as some set the bar pretty high. We get it, and we will push hard not to disappoint you. When we do let someone down, it's usually because we did a bad job at properly setting expectations. One way or the other, we're out to make you exceedingly happy with us.

MOTTO FOR OWNERS ... NO SURPRISES

We have the motto NO SURPRISES for our owners, meaning that we will strive to tell you in advance what fees you'll pay, what outside costs you'll experience, and when we're dealing with a maintenance request. There's nothing more disheartening than opening your bank records and seeing a disbursement from us for less than you expected. We'll work hard to keep that from happening and let our motto "NO SURPRISES" drive our behavior.

MISSION STATEMENT:

Our mission is to serve... Serve our Investors by helping them acquire properties that perform as expected; our Clients by taking care of their properties as if they were our own; our Residents by providing them with a pleasant rental experience; and our Staff by constantly training them and helping them reach their highest professional potential.

CODE OF ETHICS

We are active members of the National Association of Residential Property Managers (NARPM.org) the National Association of Realtors (NAR.org) the North Carolina Association of Realtors (NCAR.org) and the Longleaf Pines Association of Realtors (Longleafpinesrealtors.com) one of them has a code of ethics that we review regularly and measure ourselves by. You can review them at your leisure by going to each of their web sites.

LICENSES AND AFFILIATIONS

We are active members of the National Association of Residential Property Managers (NARPM.org) the National Association of Realtors (NAR.org) the North Carolina Association of Realtors and the Longleaf Pines

Association of Realtors (Longleafpinesrealtors.com). Each one of them has a code of ethics that we review regularly and measure ourselves by. You can review them at your leisure by going to each of their web sites.

INDUSTRY DESIGNATIONS

Every industry has its trade association who offer designations for their members to demonstrate their knowledge, professionalism and commitment to the industry. Property Management is no exception. The National Association of Residential Property Managers is our trade association and is dedicated to training the professional management community.

TOP REASONS PEOPLE CHOOSE NEST MANAGERS REAL ESTATE

Top Notch Marketing Includes Sharing Our Commission With Others

Marketing your home on a variety of internet websites is the best way to get tenants through the door. When you market your home with us, we will list your home on over 50 websites including the expensive ones like Rentals.com, RentalHouses.com, Hotpads.com, as well as all the free sites we can find including Craigslist.org, FreeRentalSites.com and many others. More importantly, we will list your home in Long Leaf Pines multiple listing service (MLS) exposing your home to thousands of hungry real estate agents and their tenant prospects. Many of our competitors refuse to do this because it means they have to share their fees with outside agents. Our priority is to get the home rented, even if it means giving up a big chunk of the commission. As a result, your home gets rented quickly without costing you more. Today, over a third of our listings are rented by outside agents.

Management Fee of 10%

Nest Managers Real Estate offers a competitive management fee, especially for the services we provide.

Electronic Disbursements When Funds Are Available & No Later Than The 15th

Collecting rent when it's due, and disbursing it to owners quickly, is one of our highest priorities. Through our "fast cash" system we disburse funds (and financial statements) to the owner electronically by the 15th of each month, regardless of the fees you pay. We're in this for you and continue to find ways to help our owner/clients.

Performance Based Fees

Our philosophy is ... we shouldn't get paid until you do. Although our efforts increase substantially during a vacancy, eviction, or when rent is unpaid, we won't charge a management fee until rent comes in. You pay no management fee if the tenant doesn't pay rent. You pay no management fee while the property is vacant. Conclusion: We don't get paid until you get paid.

Years of Experience in North Carolina

Veteran owned and born and raised in Fayetteville NC, we have handled every situation you can imagine. That experience means more protection for you as we are past most of the learning curves that new managers go through, on their customer's dime. Nest Manager's friendly and helpful staff hold degrees in Management, Real Estate, Hospitality, Marketing, Finance, and Accounting. Our team has all the right elements to get your property leased and producing a return on your investment.

Nest Managers Style of Management Protects Owners

We have observed a disturbing shift in property manager styles over the past few years. This shift is troubling and property owners need to be sure they understand these issues before they choose a manager. The consequences of selecting the wrong manager style may be more costly than you expect. This is so important that we have dedicated an entire section of our website just to covering this topic.

COMMUNICATING WITH NEST MANAGERS REAL ESTATE

Address: 1318 Fort Bragg Road, Fayetteville NC 28305

Phone: (910) 644.8930

Email: solutions@nestmanagers.com

TECHNOLOGY WE USE

Nest Managers Real Estate has embraced many technological tools to help make us more efficient and enable us to connect with our clients, residents, vendors, staff and colleagues in the business. This changes quite often, but here is a sampling of what we use today.

Web-Based Property Management Software

With hundreds of houses under management, we need a robust property management software package to keep up with all the owner and tenant information plus accounting for all the money. Appfolio is about as good as you can get in the industry and most other software providers measure themselves by it.

Owner Portal

Appfolio allows our owners to link into their own information portal 24/7 to view all financial reports without having to contact us. This allows you to view current and old owner reports all the way back to the date you started with Nest Managers. Additionally, all inspections are conveniently uploaded to your portal and stored for your convenience.

Tenant Portal

Tenants also can view their payment records and current balances, make payments and review documents on their portal 24/7. Good software makes all this simple and affordable.

Snap Inspect

Snap Inspect is a state-of-the-art inspection system that creates high quality digital representations of your Nest in easy to view PDF format. All inspections are time/date stamped and include line item notations along with corresponding pictures.

Rently

Rently is a state-of-the-art self-showing technology that offers self-touring options 24/7. With a 6-layer advanced security system, it will vet a potential tenant's ID through a selfie, facial recognition software, credit card screening and AI powered fraud detection screening offering a one time, office generated viewing code.

Web-Based Google Enterprises, Documents and Email

Google offers companies a web-based system of email management, document management and sharing capacity. All of our staff is on Google Enterprises.

Our Website www.NestManagers.com

Websites are not just a tool to communicate with the public; they've become the face of the company. We use ours extensively to attract new customers as well as to serve our existing clients and staff.

The Management Agreement and Fees

The foundation of our relationship is the management agreement (and housekeeping documents) you executed before you came on board with Nest Managers Real Estate. If we can't agree on something during our relationship, we'll both rely on these documents to help us sort things out. If you need a copy of any of the management agreement or housekeeping documents, just ask your property manager.

We try to keep fees to a minimum, but fees are necessary to run the business.

Procurement Fee

The biggest cost you'll incur in the management process is in getting the property rented. It requires a lot of manpower, advertising, application processing systems, and move-in procedures. We currently have five full-time staff dedicated to the process, and when you add outside costs it's expensive to get a good tenant in the property. Your Procurement Fee is 25% of one full month's rent, or \$250, whichever is greater. Agent will allow other licensed real estate agents (Tenant Agents) to show the Property to prospective tenants. Agent agrees to pay Tenant Agent a referral fee if they procure a qualified tenant that leases the Property. This fee will be paid out of this Agent's commission. This amount will equate to 10% of one full month's rent. If your existing tenant renews their leasing the Processing tasks fee referred to in this paragraph shall be reduced to 15% of the existing monthly rent for a second year (or a minimum of \$150) also applies to a second year of any two-year agreement. Deducted from the first full months' rent collected.

Eviction Fees/Involvement in a Small Claims Action

If Nest Managers Real Estate has to evict a tenant for any reason or respond to any small claims legal action the landlord shall be responsible for any and all necessary court costs associated with said eviction/action. Necessary court costs include, but are not limited to, filing fees, sheriff service fees, writs, executions, and notice of rights fees. In addition, landlord shall pay Nest Managers Real Estate a \$250 flat fee for each and every eviction preceding, or court suit action/response filed in Small Claims Court. The \$250 fee due to Nest managers Real Estate from you will cover Nest Manager's extra paperwork, man hours appearances, and/or necessary meetings at the Courthouse and/or home. It is agreed and understood that if Nest Managers Real Estate must file an eviction, Nest Managers Real Estate will file and proceed with said eviction in Small Claims Court on behalf of the landlord. If a tenant shall appeal a Small Claims Court decision, it is agreed and understood by landlord that landlord may be required to obtain an attorney and that Nest Managers Real Estate CANNOT AND WILL NOT represent landlord in Court any further as Nest Managers is not a North Carolina law firm. If an attorney is ever required, all attorney fees will be discussed with the landlord for the landlord's approval prior to proceeding further. Furthermore, it is agreed and understood that while Nest Managers will seek all fees allowable under the law from the tenant on behalf of the landlord, Nest Managers Real Estate does not control the judicial system and therefore, has no control over whether judgement is obtained in favor of the landlord, the amount and/or outcome of that judgement or award. Therefore, Nest Managers makes no guarantee to landlord regarding the outcome of any eviction proceeding.

Annual Administrative Fee

Owner shall pay Broker per year, due January 1st of each calendar year the amount of \$25 to cover the cost of portal management, electronic funds deposit, etc.

Document Retention Fee

Upon termination of this Agreement in accordance with the terms herein, Owner shall pay Broker \$150 to process the closing of the account, the transfer of any necessary documents and funds, and for long-term document retention and regulatory compliance related to Owner's account that Broker is responsible for beyond the termination of this Agreement.

Charges for Tasks Outside Our "Scope of Service"

Obviously, the monthly fee does not cover meeting with your HOA, digging out records from five years ago, meeting your appraiser at the property or shipping your riding lawn mower to Denver. Owners often ask us to drive out to the property to see if the hailstorm did any damage, see if the neighbor picked up the swing set, pick up and forward their mail, locate the pool keys and see if they left the lights on. We're happy to make these unscheduled, owner-requested trips, but we pay folks for this and the cost will be passed on to the owner. At \$4.00 a gallon gas, these "short trips" usually take a few hours and have some hard costs associated with them.

HOUSEKEEPING DOCUMENTS

Below is a list of other documents you signed and their descriptions.

Lead-Based Paint Laws

In April of 2010, the EPA changed the rules for anyone doing repairs, painting and basic maintenance of homes built before 1978. Their new law has terms like "one gram of lead, jail time, fines," and other words that make property managers and contractors really nervous. Before anyone disturbs six square feet of painted surface on a property built before 1978, they are required to have a Lead Paint Inspection done to assure that there is no lead-based paint. Local handymen, contractors and even pickup truck workers understand the consequences of working on these homes without having proper testing done first. You are paying us to know and follow the law so that none of us ends up talking to federal officers about how we handled maintenance on your property. We intend to do it by the book and keep everyone safe. If your property was built before 1978, contact your property manager for Nest Manager Real Estate's policy on managing this challenge.

Duties of the Owner and Manager

Throughout the management agreement, Nest Manager's duties to you are laid out, as are your duties to Nest Managers Real Estate. Here is a brief outline of those duties.

DUTIES OF NEST MANAGERS REAL ESTATE TO THE OWNER

- ✿ Maintain office, staff, website, escrow accounts, phone and email systems.
- ✿ Maintain appropriate licenses and trust accounts for owner's and tenant's funds, as required by the NC Real Estate Commission, and maintain said records for three years.
- ✿ Represent the owner exclusively unless owner gives written authorization to the contrary.
- ✿ Maintain qualified staff with experience and specialized training in managing residential rental properties.
- ✿ Provide owner with insight and advice regarding the rental market, help with setting asking rent, and help with getting the property rent-ready.
- ✿ Market owner's property for rent; put out signs and install lockboxes; post in local multiple listing services, as well as local and national web-hosting sites.
- ✿ Maintain licensed leasing staff to respond to callers and lease properties.
- ✿ Take tenant applications, pull credit history, employment and residency records, eviction reports (along with other background information) and use good judgment in the qualifying/approving/denying of applicants.
- ✿ Retain tenant's security deposit in a trust account registered with the North Carolina Real Estate Commission and disburse it after moving out, according to the terms of the lease, the North Carolina license law and the North Carolina Landlord Tenant Law.
- ✿ Maintain a maintenance response system to take requests from tenants requiring maintenance.
- ✿ Maintain 24/7 emergency response call system for maintenance emergencies.
- ✿ Manage the property for the owner, handling tasks to include the execution, renewal, default, and reinstatement of leases; collecting rent; maintaining the property and making maintenance records available for owner review.
- ✿ Maintain owner's escrow account records, including receiving and recording receipt of rents, handling owner advances, paying expenses on the property, paying vendors and managing emergency situations, distributing collected funds to owner and providing monthly owner financial reports.
- ✿ Manage the eviction process, including filing with the county, negotiating consent agreements, coordinating court appearances, purchasing writs of possession and overseeing the removal of the tenant's possessions from the property on behalf of the owner and at his expense.
- ✿ Manage normal maintenance breakdowns as part of the management fees and managing rehab, renovations and restorations when authorized by owner.

- ✿ Complete a move-out inspection when the tenant vacates the property and charge the tenant for damages above normal wear and tear as described in the lease, the North Carolina Landlord Tenant Law and consistent with industry standards.
- ✿ Only initiate legal actions on owner's behalf with owner's permission, except those related to collecting rent and evicting tenants over rent collection.
- ✿ Refund owner's escrow funds within thirty (30) days of termination of the agreement and consistent with North Carolina license laws.

DUTIES OF OWNER NEST MANAGERS REAL ESTATE

- ✿ Warrant to Nest Managers that all owners with rights in the property have executed the management agreement.
- ✿ Maintain regular communication with Nest Managers and respond to inquiries and requests for authorizations.
- ✿ Keep loan payments, property taxes, insurance, and HOA dues current.
- ✿ Investigate and communicate to Nest Managers any HOA rules governing leasing in the community where the property is located, as well as provide Nest Managers with leasing requirements of said HOA.
- ✿ Pay Nest Managers the commissions agreed to in the agreement.
- ✿ Avoid discrimination of any kind regarding the property while under agreement with Nest Managers.
- ✿ Avoid all contact with the tenant while Nest Managers are managing the property.
- ✿ Maintain a positive escrow account balance until management agreement is over.
- ✿ Pay (reimburse Nest Managers) for maintenance on the property necessary to maintain habitability, utilities, safety, and health of the resident.
- ✿ Fund, in advance, any repair over \$400 and maintain a minimum owner reserve.
- ✿ Fund within seven (7) business days of notification if escrow account becomes negative.
- ✿ Maintain landlord insurance on property naming Nest Managers as an additional insured.
- ✿ Keep plumbing, electrical, HVAC systems, appliances and improvements left on the property in normal operating condition during the term of the agreement with Nest Managers.
- ✿ Pay attorney and court costs that arise in the process of evicting tenants, but no other legal actions, initiated by the Agent, without owner's first giving permission to file such action.

ESCROW ACCOUNT MANAGEMENT

Like other real estate brokers, we handle a lot of money for other people. We are regulated by state trust account laws and real estate license laws that lay out strict rules regarding how we handle that money and report to those to whom it belongs. The North Carolina Real Estate Commission audits our trust accounts from time to time to make sure we're doing it just right and everything is balanced to the penny. Our CPA makes a regularly checks our accounting and signs off on monthly escrow account balancing. Keeping the money straight is a high priority and we tend to it closely.

NEGATIVE OWNER BALANCES

Occasionally, your trust account may go negative for any one of a dozen reasons. Although we work hard at having the money in the account to cover expenses before the work is done, we don't always have control over bounced checks, surprise maintenance issues or emergencies at the property. When this happens, we'll need your full and quick cooperation to fund the account and keep your balance positive. We'll always notify you in writing and give you a few days to fund your account but if you fail to respond we'll have to clear it up another way. Sometimes resolving such issues can be expensive, so your quick response is critical. We'll talk you through the process when it happens.

LANDLORD INSURANCE

You must keep your property covered by a landlord policy during our relationship. You also need sufficient liability insurance to cover the increased risk incurred by having a renter in the property. Renters are not a protected class in the courtroom, but they are a favored class when owners or landlords do stupid things. Your policy needs certain limits of coverage and Nest Managers Real Estate must be covered as an additional insured. We can help you get inexpensive coverage from local agents we've dealt with for many years. We will be glad to put you in touch with them.

As a whole, homeowners associations (HOAs) have an issue with renters and tend to create a lot of heartburn for owners and landlords when they move them into their communities. If owners get behind on their dues or forget to tell us the rules for leasing in their community, HOAs think nothing of booting cars, suing tenants for the rent until the owners' dues are caught up, turning off utility services, hauling off their cars and evicting them overrule violations. Although we'll handle the process, you'll need to stay in the loop as HOAs don't always communicate very well with third parties (property managers and tenants) regarding their actions. Since they can fine you and lien the title of your property over these issues, you'll need to work with us to resolve these challenges. This is one of the issues you can't turn over to your property manager entirely.

AMENITY PASSES, GATE KEYS AND POOL KEYS

We often rent properties in communities that require gate passes, codes, keys and permission from the HOA for access to amenities and entry points. Occasionally, an owner will ask us to call the HOA on their behalf and find out about these restrictions. HOAs typically don't communicate very well with third parties (property managers and renters) and often refuse to speak to anyone but the owner regarding these policies. The HOA, not Nest Managers, is in control of the community and we, like you, are beholden to them. It is imperative that you get permission from the HOA to rent your property and provide us with keys, passes and codes for us before we lease the property. If you don't do this in advance of our leasing the property, be prepared for battles with your HOA and increased expenses (time and labor) in resolving the resulting issues later.

PERSONAL PROPERTY

Owners often leave personal belongings (patio furniture, microwaves, wall mirrors, tables, bar stools, lawn mowers, grills, ladders, etc.) behind when they leave the property, thinking it will be there when they return. It seldom is. Renters often forget what isn't theirs when they move out and the sheriff handling the eviction won't ask "what belongs to the owner" during the eviction process. You should remove anything you care about when you leave.

MORTGAGE DISCLOSURE

If you lose your property in a foreclosure while a tenant is there, you'll create some serious carnage for them and for us. We'll work with you to minimize the damage, but you'll need to keep us in the know. This document discloses the mortgage and lays out your responsibility for the consequences should there be a foreclosure while we're managing the property.

MOLD/MILDEW DISCLOSURE

Mold is one of the most troublesome environmental hazards causing problems for landlords—from expensive property damage and lost rents to multi-million-dollar tenant lawsuits for mold-related illness. Fortunately, landlords and property managers can do a lot to avoid and manage mold should it appear.

But mold is often more than just a superficial or cosmetic issue. It's a scourge that has led tenants to bring multimillion-dollar lawsuits against landlords, seeking compensation for significant health problems they claim to have suffered following prolonged exposure in their rented homes. Mold has also cost landlords a bundle in repairing damage to their property, including sensitive, structural components. Plus, a mishandled mold problem can lead to negative press and social media comments, such as on Yelp or Twitter, harming a landlord's reputation and leading good prospective tenants to look elsewhere for their next rental. We take mold very seriously and require our owners to as well.

PROPERTY FEATURES / DISCLOSURE

Since you know the property better than anyone else, you should help us identify area schools, HOAs, and basic information about the property so we can represent it properly in our advertising. Tenants get really upset when they move into a home and it's not in the school system they were told it was, so let's get this disclosed right up front and save everyone the headache and potential litigation.

LLC, LAND TRUST AND CORPORATE AFFIDAVITS

If you hold title in a corporation, limited liability company or land trust you'll have some special documents to execute to address who's authorized to act, receive money, approve maintenance and terminate leases on the property. Investors love to hide title from the public; we get it. Let's just make sure that we know who's who so we are operating under the right authority as the manager.

HOT TUBS

Owners know that hot tubs require management. Tenants don't and think they are just fun. When hot tubs are not managed properly, motors burn out and water gets green. They can create a hazardous environment for the tenant. We'll manage them with a home warranty in place but the best way to deal with them is to shut them down before you put the property on the rental market.

Pool Policy: If there is a pool on the property, you MUST, prior to the tenants moving-in, provide (a) covers; (b) all pool equipment; and (c) all funds necessary to prepare said pool and/or hot tub for a tenant. The tenant will be expected to hire a company to care for the pool during the tenancy and you agree that we require an extra security deposit from the tenant of \$300 at the time of contract to help ensure the funds necessary to bring the pool back to a swim ready condition at the end of a tenancy. Nest Managers is not liable for damages, repairs, misuse, injury or any deficiency by either party.

OWNER'S W-9 FORM

Fifteen years ago, the IRS made property managers the cops for reporting income received on behalf of our clients from rental properties. Just like employers, we must report to the IRS (using a 1099 form) the gross rent we collected on your behalf and you must report the expenses of interest, insurance, repairs and other property expenses on Schedule E of your personal tax return. We'll send you (and the IRS) a 1099 reporting the gross rent we received from a tenant by the end of January every year, as required by the IRS.

MARKETING YOUR PROPERTY

After leasing about many houses throughout the past years, we have figured out what advertising it takes to get the job done quickly. It keeps changing and we work hard to keep up with the new technology, but we lease roughly 20 homes a month, so we think we do it well.

PRE-MARKETING

First impressions are critical when people are selecting a place to live. Utilities must be on; repairs must be complete (or almost complete) and the property must be clean before we start marketing a property. It is aggravating to drive an hour to a property with a prospective renter only to find it dirty, smelly and unsightly. Tenants get turned off by houses that are not move-in-ready and often won't return to see them a second time. Get the property in rentable condition, and then the marketing can begin.

RENT-READY ISSUES

"Go ahead and start marketing the property ... I'll have the rehab done before you get a tenant" just doesn't work. We often rent houses in a few weeks and trying to move tenants into a half-ready home is painful. Get it ready and we'll market it, but we'll be reluctant to start too early.

SETTING THE RENT

We lease 15 to 20 houses a month and have for many years. We know the market and can find lots of rental comps to drive the asking rent. Although it's your call, we'll advise you and report activity. You'll set the rent (and make the mortgage payment until it's occupied) so we're on the path to getting it rented quickly.

LOCKBOXES AND SIGNS

Lockboxes allow all agents in the market and prospective renters to view homes 24/7. We'll install a lockbox on the front door (or nearby) and start showing the property as soon as it's rent-ready. If your community requires a special sign, the cost of getting it made (and delivered) will be passed along to you. If you don't alert us about special signs required by your HOA and we get fined for using our own, you will absorb the charges.

UTILITIES

Because utility companies don't like working with third parties (such as property managers), you will need to keep service on in your name until the property is rented and between tenants. You can and should set up "continuous service" with each utility company so service is never interrupted. We can't do that for you. We'll let you know when to get utilities turned on and off. Utilities must be on before we start marketing a property. We have several articles on the topic "why we won't market houses without the utilities on" as we've been burned over it many times. You can't clean it, flush toilets, vacuum up dead bugs, or test the appliances or HVAC without the utilities on. As soon as service is on, we'll check out the condition of the property and begin marketing. . An administrative fee of \$55 will be due if Nest Managers Real Estate must turn on utilities or conduct a reinspection because utilities were not on.

KEYS

We can't express how important it is for you to provide Nest Managers Real Estate all applicable keys: keys to the property, pool, entry gate, clubhouse, mailbox, etc. It is our job to make your property stand out from all the others the potential renter will be considering, and often the decision comes down to the amenities. To put it bluntly, we can't sell what we can't show. We will work diligently to rent your property, and to do that we must have all the keys. We will re-key the property just before a tenant moves in. The tenant will pay the first \$75 of every rekey and you'll pick up the balance.

SCREENING APPLICANTS

We have screened thousands of applicants in the past 6 years and have gained some hard-earned wisdom along the way. As much as we think we have it figured out, applicants are still teaching us new things every day. Identity theft is rampant, and it's easy to miss something even when you're watching for it. It's not a cut and dry system and takes lot of experience. We have this experience because we've made many mistakes over the years and have most of our learning behind us. You have the benefit of our experience because we're not learning on your dime. To conform to the Fair Credit Reporting Act and the Red Flag Rules (regarding privacy of personal information), we keep this information locked up and confidential for three years.

BACKGROUND CHECKS

We pull credit, employment history, residency history, foreclosure, bankruptcy, eviction reports, sex offender reports and more. There is no perfect system to qualify applicants, but we take advantage of all the information we can get our hands on. Screening applicants is often a balancing act between the information we gather about them and the money they are willing to put down (security deposit) to secure their fulfillment of the promises in the lease.

APPLICATION CONTINGENCIES AND OWNER APPROVAL

If the applicant has special requests, offers less than asking rent, has multiple pets, or presents any issues outside of the norm, you will be contacted for final approval. We work hard not to exceed our authority when it comes to this or any other matter during our leasing and management of the property.

NEGOTIATING THE LEASE

Our lease has evolved over 6 years with the help of 1,000's tenant experiences and tens of thousands of dollars in attorney fees; it has been refined and customized to work for all of our properties, owners and tenants. You will be involved in negotiating special stipulations for things such as finishing a fence, putting in a refrigerator, having an 18-month lease or changing out deadbolts. Some issues need your input, and we'll not be timid asking for it. Most of the time, we just handle it.

COSIGNERS

Good credit is required to secure the renter's promises in a lease, but it doesn't have to be the occupant's credit. We get lots of folks who have their parents, employers, caregivers and counselors guarantee the lease and we've had great success enforcing cosigner agreements. The cosigner completes an application and executes a guarantee with a witness and notary.

DOUBLE/TRIPLE DEPOSITS

Money is a great equalizer when approving an applicant. If they are willing to put up lots of money (in the form of a security deposit) to secure a lease, we can approve applicants with less than perfect credit. Since North Carolina courts are owner-friendly and grant evictions quickly, plenty of money in an escrow account is sufficient guarantee for the promises in the lease.

24-MONTH LEASES

Long leases save you tons of money by preventing expensive vacancies. You'll be a happy camper if we can keep a tenant in your home for 10 years. Some owners plan to move back into their properties, so we won't allow extended leases (anything over 12 months) without your permission. Please let us know in advance if you approve an extended lease so we're not trying to contact you during the approval process.

LEASE DOCUMENT PREPARATION

Tenants will sign several documents before they take possession of your property. The lease is the primary document, but there are also additional addendums, inspection addendums, pet addendum, maintenance agreement, HOA disclosure, lead paint disclosure,, hot tub exhibit and documents that cover property visits, renter's insurance, smoke detectors and more. The lease interview (and document signing) is usually done before the move-in inspection. You are welcome to have a copy of everything the tenant signed. Just ask your property manager.

MANAGING THE MOVE-IN

Nest Managers Quality Assurance Team conducts their own Move In Inspection prior to the tenant taking possession. In NC tenants are given 7 days after moving in to complete their own move in inspection as well. We take the extra step of conducting our own inspections as most tenants forget to complete the inspection themselves and/or simply are not as thorough. We will meet the tenant at the property for a complete move-in inspection as required by Landlord Tenant law. Landlords are required to document the condition of the property prior to the tenant taking possession so there is something to compare to when charges are assessed for damages after move-out.

RE-KEY POLICY

Just before a new tenant takes possession of the property, we will have it re-keyed by a licensed locksmith. The tenant pays for part of this cost (\$75), and generally they don't mind because it assures them of some level of privacy and protection from past tenants, owners, neighbors, cleaning people and contractors. The total cost you pay depends on how many exterior doors there are and how many dead bolts have to be reset.

UTILITIES

Marketing a property without the utilities on is an impossible task. We've tried it many times and always end up at the same place, frustrated and kicking ourselves for trying it. When utilities are off at move-in, there are repercussions and expenses the owner probably didn't anticipate.

Please make sure the utilities are left on through the move-in.

UNCOMPLETED REPAIRS / CONTINGENCIES

One of the worst things that can happen when we meet a tenant at the property for a move-in is to find that the property isn't ready. Owners (or their vendors) don't always complete work as they promised or clean up thoroughly, and it causes lots of yelling and screaming. Tenants often arrive with their moving van and don't have the time to clean the home before moving in. We do everything we can to prevent this, including a pre-move-in wipe down, but it doesn't always work out the way we hope. When the property isn't ready, or the contingencies are not done as promised by the owner, we often have to take drastic actions, costing the owner serious money. When a tenant moves into a dirty home, or one that has unfinished repairs, they will hold it against us for the life of the lease. We'll do everything we can to make it right, but it usually is an expensive process because we're all scrambling for solutions at the last minute in order to avoid putting off the move-in inspection or losing the tenant. Remember this: speed always costs more, whether you're shipping packages or calling a contractor or a cleaner to come immediately and finish a repair or clean the home so we can let the tenants take possession. In these situations, we go to work "making it right" and discuss the costs later.

PRE-MOVE-IN WIPE DOWN

For many years, it was common for us to get ready to move a tenant in and then find the property was not clean and ready to occupy. Dead bugs accumulate in vacant homes, toilets get rancid, cobwebs gather, light bulbs die, vendors fail to clean up after themselves and the property gets stale and musty. Tenants expect hotel (white glove) clean, whether they should or not. If we do this badly (and we have many times), and the home is dirty at move-in, renters get really angry and remember the experience until they move out. No one likes to clean up someone else's dirt. We solved this dilemma several years ago by scheduling a pre-move-in wipe down just before the tenant is to take occupancy. Like re-keying, it is done a day or two before the move-in takes place. The cost is generally around \$65 to \$150 depending on just how big (and how dirty) the house is. We will try to get this done as reasonably as possible.

Owner Cleaning Challenges: Frequently we have owners tell us that they will clean the property before move-in and we don't need to order the previously mentioned wipe down. Everyone wants to save money and the DIY method is often preferred. Here's the problem: everyone has a different idea of what clean is and people are satisfied with different levels of clean. To some, cleaning once a month is good enough while others clean every day. Since we can't attempt to match tenants with owners of the same cleaning standards, we have to use a neutral standard we can all agree with. That standard is "hotel clean." When you check into a hotel room and find dirty mirrors, toothpaste on the counter, Q-tips in the waste basket, and mud on the floors, you demand another room, and so you should. "Hotel clean" means leaving no evidence of the previous occupant.

If you tell us you'll do the cleaning and the property is not "hotel clean" when we arrive to do the move-in inspection, we'll call a crew to make it right before we turn it over to the tenant. Also, if we promised the tenant a move-in on Saturday and the home isn't ready, we may have to put the tenant up in a hotel on your dime until the cleaners can get there on Monday. Most tenants arrive to the home with their truck full of stuff and movers ready to set up house.

Having the property clean and ready for the move-in is one of our highest priorities and should be yours as well. The move-in can be a pleasant experience or a horrible one and will set their expectations and attitude toward the home, manager and owner for the rest of their stay. Let's work together to welcome the tenants to a clean and safe place to live.

INSPECTIONS

Our team will inspect and or field visit the home four or more times during the term of the property management agreement. The first inspections include an initial comprehensive photo inspection regarding the condition of the home prior to a tenant moving in. We oversee the tenant Move In Inspection. Nest Managers Real Estate will inspect the home in the 6th month during the lease term and also Nest performs a condition inspection of the home at the end of a tenancy and/or another tenant inspection for tenants who continue with a second-year agreement. When inspecting on your behalf, Nest Managers Real Estate will look for obvious neglect and/or care (deferred maintenance) on your tenants' part and regular maintenance issues that might arise. All home inspections may include, but may not be limited to, photographs and or video. **We are not licensed home inspectors and therefore, disclaim any ability to perform a home inspection of the same caliber of a professional home inspector. By signing and dating below, you acknowledge this disclaimer.**

This next section is broken down into Managing the Money, Managing the Owner, Managing the Property, Managing the Tenant and Managing the Move-out.

MANAGING THE MONEY

One of the main parts of our job is managing the money. We have our Broker In Charge who manages this account and a CPA who signs off on these accounts every 30 days to ensure good accounting practices through a 3 Way Reconciliation Process and make sure everyone's money is accounted for properly. Here are some other money issues to think through.

SECURITY DEPOSIT HELD IN ESCROW ACCOUNT

Property managers hold security deposits in a trust account (just like they do the owner's money), as they belong to the tenant until they move out and all their charges are finalized. Once we account for all of the tenant charges, they receive a check for the balance of their funds directly from our trust account. This is accomplished within 30 days of their move-out (as required by state law), unless the tenant disputes move-out charges. We'll disburse your portion as soon as we can, but there are licensing and trust account regulations to satisfy.

COLLECTING RENT

Collecting rent is a tedious process which takes nerves of steel. Property managers can get it done quicker and cheaper than the owner or an attorney because they do it regularly and know every step of the process.

DUE DATE

The due date is always the 1st of the month and technically late by the 5th no matter when they moved in. We prorate the second month, not the first, so we get the bulk of the money the month they take possession. If they move in on the 15th you'll see a full month's rent on your owner statement the first month and a prorated portion the second. If the 1st falls on a weekend or holiday, we consider it "on time" if rent is received by noon the next business day.

LATE DATE

Rent is always late the 5th of the month. We do not adjust for weekends and holidays. Often the tenant will drop payment in the drop box, so we don't know exactly when it comes in, but we track it carefully. We push online rent collection hard because most owners are making a mortgage payment and pressing the tenant for the money and getting it to the owner is a high priority.

LATE FEE

The late fee is 5% of the rent and is assessed on the 6th of the month automatically.

WHAT HAPPENS IF THE TENANT IS LATE?

At NEST, we take our responsibilities seriously and expect our tenants to do the same. NEST's job is to ensure that our tenants get what they pay for, namely a well-maintained property. The tenant's job is to live in the property peacefully, care for it properly, and pay the rent when it is due for the owner.

When rent is not paid, here are the steps NEST will take as the Management Company:

- On the third (3rd) day of the month a reminder email and/or text will be sent out via our automated system.
- On the sixth (6th) day of the month a Late notification is sent. At this point a late charge has been added to your account and is due with your current rent payment.
- On the eleventh (11th) day of the month, NEST works with the property owner to begin the eviction process and those additional costs are applied to your account immediately. Bringing account "fully current" may not stop the eviction process or owners desire to take possession of the property.
- If account not brought current, filing with the court system will generate a court date for the tenant to attend followed by lockout/vacating the property (supervised by the Sheriff Dept.)

NEST takes no pleasure in evicting any tenant. It is a fundamental truth, however, that you really do have to "pay to stay." If an account is past due any amount, an automated reminder email will be sent out daily (listing the past due amounts) until the account is brought current.

Please note that once the proper paperwork has been filed with court system, NEST may not be able to stop the serving of those papers to the residence..

CONSENT AGREEMENTS

Consent Agreements are payment plans tenants agree to if they want to stay and pay. Some tenants just get behind and to avoid costly court visits we'll try our best to get them to execute a consent agreement to catch up on their payments. Court costs are not totally avoided because the judge must sign the agreement to have the weight of the court behind the document, but costs are cut by around 2/3. Saving you money is a big priority and a consent agreement is a great shortcut to settlement. You will be notified before we agree to a payment plan. The cost for this generally runs \$50 to \$75.

ATTENDING COURT

Court costs are very reasonable in North Carolina because we have a good small claims court system. Attorneys are typically representing several landlords (and apartment communities) so \$150 to \$250 usually covers everything unless we need witnesses or staff to attend. You'll be kept in the loop every step of the way.

BUYING THE WRIT

Buying the Writ of Possession from the county costs \$25 to \$100, depending on the county. Buying this document puts the set-out event on the sheriff's calendar. The judge's order gives us the right to evict while the writ is the sheriff's instruction to execute the eviction.

SET-OUT

This takes place when the county sheriff goes to the property and physically sets the tenant's belongings in the street. Generally, we are notified of the day of the eviction ahead of time, but often they arrive to do their set-out and then let us know. Sometimes they bring their own crew but usually we have to provide the manpower to do the work. It's not a perfect system because we're relying on local government, but we know every step and manage it closely.

REMOVING THE TRASH

Nest Managers Real Estate must wait 7 days for the tenant to claim their belongings. Afterwards, we will have a team remove their items and haul it off. The cost depends on how much is left.

RE-KEYING

Immediately after the sheriff has finished the put-out, you'll need to rekey and secure the property so neighbor kids don't make it their playground. We've even had evicted tenants move back in and had to evict them again, so re-keying is important. We will have the home rekeyed at the owner's expense.

NSF RENT CHECKS

When checks bounce (or electronic payment is rejected), we generally know about it before we disburse money to you. Our office does not accept personal checks, so it makes this process a lot easier. As soon as the money comes in, we'll disburse it to you.

DISTRIBUTING THE MONEY

You should receive your money by the 15th of the month (if you have signed up for automatic deposits). Some things regularly get in our way of that target date like late rent payments, weekends, holidays and snow days, but most of the time we'll disburse your money and electronically by the 15th. If you don't choose to have your payment automatically deposited, we'll mail it by the 15th.

CONTRACTOR INVOICES

In our efforts to "go green and help save the planet," we add lots of details to your owner's report, so you don't have to call us with questions about expenses. We keep all maintenance records for three years and can locate and send them to you if needed.

REPORTING TO THE IRS (1099'S)

For 15 years the IRS has required that all professional property managers issue a 1099 to them (and you) by January 31st of each year for any money we collected on your behalf from the tenant that year. Much like an employer, we are required to report income we received on your behalf. Your monthly owner's report will account for most of your expenses on the property for that year and you'll show those expenses on schedule E of your tax return.

ANTICIPATING VACANCY EXPENSES

We've had enough vacancies over the years to be able to predict pretty closely what it will cost to have a tenant move out. Once you understand the costs involved, it makes sense to keep the property in great condition and help us keep the current tenant there. Property damages are just a part of the vacancy costs. When you add to the expenses re-rent costs, utilities, lawn care, advertising and pest control you figure out pretty quickly that keeping a tenant in the home is very important.

MANAGING OWNER RELATIONSHIPS

AUTHORIZATION

During your time with Nest Managers Real Estate, we will need your authorization from time-to-time when decisions need to be made that are outside our scope of authority. We'll do our best to leave you alone and manage the property, but occasionally we will need you to make a decision about such things as the appropriate action to take when a tenant is discovered to have an unauthorized pet or extra roommates; taking payments on a Consent Agreement (payment plan); and spending money over the \$400 reserve, to name a few examples. Many times, an email is sufficient authorization, but occasionally we'll need something more formal. Most of the management decisions are small and we'll make them ourselves, but when confronted with larger issues, we'll contact you personally.

RENEWING AGREEMENTS

The real estate licensing board requires that we keep the management agreements current without clearly defining what "current" means. Some managers ask owners to complete new owner agreements every year. Our attorneys have assured us that this isn't necessary. As a general rule, we'll ask you to renew your owner paperwork every three to four years. Generally, it's done between tenants. We have the agreement online so it's not a big hassle, but every once and a while we'll need you to update another management agreement. We'll notify you in writing when it's needed.

FORECLOSURES

When owners can't make their mortgage payment, they usually don't call us and tell us to stop collecting rent. They usually take the rent and hope the lender takes a long time to complete the process. As unfair as this is, people do funny things when they are financially stretched. Usually we find out about a foreclosure when the tenant calls screaming about the letter they got from the lender's attorney demanding they move and threatening eviction. Since the tenant's only contact regarding the property is Nest Managers, we get the brunt of the anger and accusations. They often accuse us of protecting the owner and cooperating with them in scamming the renter. Their life is turning upside down and they want to vent, file grievances with the real estate commission, the Better Business Bureau and the courts, and say nasty things about us on sites like Yelp.com. We get bludgeoned; the owner gets to keep the money and the tenant has to move.

In May of 2009, in response to all the foreclosures on rented property, congress passed the "Renters Rights in Foreclosure Act" mandating that the tenant be allowed to stay in a foreclosed property until the end of their lease term. Lenders are ignoring this law and ordering their representatives (the foreclosure attorneys) to get the tenant out, whatever it takes. Renters are not strong enough to fight the attorney, so they pack up and move out, mad at the world, the owner, but particularly at Nest Managers Real Estate. There is nothing fair about any of this. The owner's credit is destroyed, our reputation is trashed, the renter is in upheaval and the lender takes a bath on the property. There is no upside and there's nothing we can do to change it. Nest Managers Real Estate charges a \$300 termination fee on foreclosed properties for the stuff we have to deal with and the early termination of the property. The management agreement calls for a lot more in early termination charges, but there usually isn't enough money in the owner's trust account to pay it. We will all be happier when the country gets through this real estate catastrophe!

MANAGING THE PROPERTY

MANAGING MAINTENANCE ISSUES

Managing the physical condition of the property is one of our biggest tasks. This is where most of the stress comes from as we balance habitability and money issues. We have to be sensitive to mold, electrical problems, plumbing, ceiling fans, septic tank backups, rodents, dishwashers, A/C systems and the quality of the air, the water, the gas and power. Judges and court systems hold us to a high standard when it comes to our duties to provide a safe and habitable place to live, as do the people living in these houses. In their minds,

safety of people overrides safety of the property and cost to the owner, so we manage with that standard in mind. Tenants are not a protected class, but they are a favored class when it comes to managers keeping their safety as a high priority.

Our process for handling maintenance issues is simple, transparent and efficient.

For Tenant Submitted Work Orders

Firstly, our Maintenance Director will decide if this is in fact, a work order worthy request. We put only the most qualified people in this position and our Maintenance Director has been with us since Day 1. She has over 30-year building, construction, and maintenance experience, not to mention a keen sense of judgement. If it is something she can mitigate over the phone, such as a tripped breaker, readjusting the eyes on a garage door, or even using a plunger (yes that happens) she will. She will then assign the vendor to the work order and notify the tenant of the vendor assigned. You will also receive an email, through the portal, alerting you to the work order request and that a vendor has been assigned. Once the work has been completed, the work order will be updated, and the final invoice uploaded. If she requires further direction, she will text or email you through the portal or follow up with a phone call. It's that simple.

Maintenance Issues or Items To Be Aware Of From Inspections

Every now and again our inspections will yield some items that need to be addressed. You will be notified one of two ways. (1) You will receive an email from our Maintenance Director with the item(s) found and a list of suggestions to prevent further damage. If you choose to move forward, your authorization will be required. A work order will be created, and we will complete the work. (2) You will receive a work order that these items were found during an inspection and are being handled immediately to prevent further damage. Again, once the work is complete, the invoice will be uploaded to the portal for transparency.

MAINTENANCE PRIORITIES

Resident maintenance issues are handled in the order in which they are submitted with the following response times as guidelines. Here is how we present this to our residents.

Category 1: Emergency Maintenance

Emergency defined: Anything relating to the property under the lease that is threatening to life, health, or the property. Fire (please call 911), flood, sewage back-ups, gas odors (please call gas company), broken water pipes, tree falling on house. Target: 5 to 8 hours

Note: during peak seasonal months, target response times for heat and air may be subject to delays due to contractor overload.

The Following are NOT Emergencies

Refrigerator out; locking yourself out of the house; power or gas off; a/c out and the property has two (2) a/c units; oven not working; water heater out. These issues may be inconvenient, uncomfortable, and aggravating, but they are not emergencies. Nest Managers Real Estate is not liable for loss of food caused by appliance breakdown or for damaged belongings due to water leaks. Please make sure that you have adequate renter's insurance to cover unforeseen personal losses.

Category II: Urgent Maintenance

Broken windows; plumbing repairs (not clogged toilets...see notes below); loose railings; wobbly decks; electrical problems. Target: 2-4 business day service

Note: during peak seasonal months, target response times for heat and air may be subject to delays due to contractor overload.

Category III: Normal Maintenance

Appliance repair, garage repairs, leaky faucets. Target: 4-8 business day service

Category IV: Non-Essential Maintenance

Fence repair, gutter cleaning. Target: 14-day service

Category V: Not a Habitability Issue

Screens; broken lattice; power washing; broken window shade; broken tree limb; missing door stopper; missing doorknob; all light bulbs including stove, chandelier, and refrigerator; and fireplace gas keys. Target: Point these items out during next property visit or bring up at lease renewal time. These items may not be approved for repair by the owner.

MAINTENANCE SPENDING LIMITATIONS

No one wants to give their property manager an open check book, and we don't want one. That being said, we also can't contact the owner every time something needs to be repaired. The management agreement has a \$400 ceiling on repairs we can order without waiting for your response. We'll let you know by email when a maintenance request comes in, but only as an FYI unless we think it's going to exceed \$400. Where we get into trouble with this limit is during weekends, holidays, snowstorms and on A/C units. As a practical matter, we exceed that limit from time –to- time out of necessity to save the owner money in the long run.

Note: This spending limit does not apply to emergencies, move-in contingencies (cleanliness), or habitability issues. Occasionally, not often, there is a tornado, burst water pipes, flooded basement, fire, A/C out in 95-degree weather, heat out in 35-degree weather, sewer backup, etc., and we must respond immediately. We require top management to make this decision, and we know we are ultimately accountable to you for using good judgment. However, sometimes we just have to use common sense when managing your property. The day we abuse this is the day you'll find another manager, so we understand our limits and will always be ready to defend our decisions.

MINOR MAINTENANCE ISSUES

Before the tenant moves in, they agree to handle regular, everyday issues around the house themselves like flipping GFI switches, changing out light bulbs in two-story foyers, resetting garbage disposals, etc. We go over a document with them before move-in outlining their responsibilities around the house, so they know not to expect a response to nuisance maintenance calls. Some tenants are accustomed to living in an apartment community with maintenance personnel around to change their light bulbs and help them move the grill. We've dealt with this long enough to know what we can pass on to them and what we should respond to.

LAWN CARE

We would love to assure you that tenants will keep the lawn manicured like you did, but in reality we cannot. The lease calls for them to do lawn care, but most tenants do not think like owners in this regard. Getting them to mow is about all you can expect, and sometimes it is difficult to get them to do that. The real problem is when there is an active HOA going around counting weeds and taking photos of pine islands. Generally, lawn care isn't a problem as much as managing pine islands, trimming shrubs, edging and aerating. This can be done in the fall and spring through our seasonal landscaping program or just done as needed.

PROPERTY VISITS AND CHARGES

We inspect the property by appointment with the tenant throughout the tenant's tenancy. If you ask us to make a special trip (owner-requested trips) to meet an appraiser, a relative, your contractor, the HOA manager, etc., to check on utilities, to see if your vendor is finished, to see if the hail storm did any damage, to

pick up your mail, or to see if you left your lights on, there will be a trip charge. We try hard to avoid unscheduled trips, but we don't want to say no when asked by the owner to do something special.

EMERGENCY MAINTENANCE PHONE SYSTEM

Occasionally a tenant calls with a true maintenance emergency, which requires immediate attention. We manage an emergency phone system that responds 24/7 to tenant emergencies to help them through urgent maintenance issues. When the septic system is backing up, creating a serious habitability problem, or the A/C is out in the 95-degree North Carolina's summer heat, we need to provide on-the-spot service. Weekend service calls are pricey, but some things just can't wait until the next business day.

HANDLING YOUR OWN MAINTENANCE

Most owners hire a manager because they don't want direct involvement with the tenant in the property. However, some owners have a tool belt and like to tinker around the house to save a little money. When the property is vacant (and anytime on exterior issues) you are free to do whatever you like as long as you coordinate with our office. While the tenant is occupying the property, we will handle all interior maintenance. There are liability and common-sense issues that drive this policy.

HOME AND BUILDER WARRANTIES

Home warranties are a curse to professional property managers. When an owner puts us in charge of maintenance and then transfers repair issues to another company (a warranty company), the outcome is often a stressful situation that is impossible for us to manage. Home warranties were designed for owners who live in the property and who will cooperate with the warranty company vendors. Tenants aren't quite as responsive, so warranty company vendor calls are hard to manage and cause lots of tenant hostility. You're paying us to manage maintenance, so let us do it for you. Buying a home warranty just makes it more difficult.

KEEPING YOUR NEST FIT & HABITABLE

North Carolina has very strict guidelines on protecting the tenant's rights and the landlord's responsibility to provide a home that is "fit and habitable." Many times, in maintenance, and especially in dealing with home warranties, we experience lag times in repairs to major systems and equipment. Although our homeowners are saving money by waiting for the home warranty to replace an air compressor, the home and tenant is sitting for weeks at a time in 90-day humidity which could lead to mold growth, health concern for asthmatic tenants, etc. Refrigerators waiting for replacement parts, stoves that are out for days at a time providing no way to cook food are also things we have encountered. Because of this we have an automatic Rental Equipment Program that automatically kick in if a repair will extend past our normal target times. This program is designed to protect your investment and your pocketbook from potential lawsuits, demands for hotel rooms and tenants that refuse to pay rent. It also shows that we are doing our best as well.

Heating when the temperature is below 55 degrees \$15 Daily Per Unit

HVAC when the temperature is above 90 degrees \$15 Daily Per Unit

Refrigerator Rental: \$20 Daily

Electric Oven: \$25 Daily

Deliver/Install Charge & Pick Up Charge: \$50 Each

Other Items at Property Manager's Discretion

TENANT VS. OWNER (MANAGER) RESPONSIBILITIES

We take pains at the move-in to clarify exactly what the tenant can expect from us in the way of maintenance response. Sending a vendor to the property is expensive, so this is not an option for every call. For example, a dead limb hanging over the fence is relevant, but it probably doesn't justify a special visit. In most cases, we assure the tenant that we'll address these minor issues at the anniversary date or that we'll look at it next time we're at the property.

REGULAR MAINTENANCE VS. REPLACEMENTS, RENOVATIONS AND REMODELING

Clearly we are responsible to oversee normal maintenance breakdowns and regular repairs as a part of our management fee. We separate these issues from the larger projects of renovations, full paintings, replacing carpet, roofs, siding and appliances. All property managers put limits on what they do for their monthly fees. Nest Managers Real Estate established \$1,000 as our benchmark of what we do with no extra fees added. For anything over that amount (large, time-consuming jobs), we reserve the right to add 10% to cover the cost of getting multiple quotes and project oversight. In the management agreement, this is called a "rehab admin premium". Since the amount is over the \$400 spending limit anyway, you will be involved in this process and have control over what is done.

MANAGING THE TENANT

A major part of our job is interacting with the tenant. We believe the more you know about how we manage tenants, the better you'll appreciate and enjoy the benefits of your anonymity. Our motto for the tenants is "clean and safe." Here are just a few topics for discussion.

30-DAY AUTO MONTH TO MONTH RENEWAL

Thirty days before the anniversary date, the lease renews on a month to month basis. Unless one party notifies the other in writing of their intent not to renew, renewal happens automatically. Keeping a renter in the property and paying rent for a long time is an important strategy, and we work hard to make that happen. If you want to move back in or sell the property, you need to be careful to put your wishes in writing. Don't miss this important notice if you don't want the lease to renew. When we receive your notice, we'll notify the tenant by letter immediately, so the lease won't renew automatically.

LEASE RENEWAL PROCESS

The last thing you want is a vacancy. Therefore, it makes sense to reward your property manager for keeping the renter for another year.

60 days before your tenant's lease renews, our team will reach out to you to confirm if you wish to renew and on what terms. If you want to entice a good renter to stay, you can instruct us to keep the rent the same or offer a carrot like a new ceiling fan or a carpet cleaning. Sometimes the tenant will negotiate to freeze the rent or ask for a rent reduction for a 24-month extension. We won't make these decisions without you. If you wish to increase the rent or find a new tenant, this will give us plenty of lead to alert the tenant before the required 30-day mandatory tenant notice.

We start earning the renewal fee the day we move the tenant into the property. We work all year to get our tenants to renew and we celebrate when they do: Mission accomplished. Our fee for renewals is listed in the management agreement. It calls for a renewal fee at the end of 12 months, even on a 24-month lease.

HOA CHALLENGES

One of the more recent challenges with renters is having an overactive HOA manager. If owner dues are not paid, or if someone violates their rules, they can (and often do) boot tires, fine renters, sue them for rent, fine owners and even try to evict tenants. We've seen it all. Some HOA managers are convinced that renters are the curse of the community and bring down property values for other owners. They love to harass tenants and do what they can to drive them (and their landlords) out of the community. We have to work together on this so you must stay involved. We'll need your help if your HOA gets ugly.

MANAGING THE MOVE-OUT

The next part of the management process is the move-out. The state Landlord Tenant Act has a lot to say about the move-out process. Legislators obviously have had a lot of complaints from renters over the years, because there is a lot about tenants moving out, charges for damages, and security deposits in the law. Here is a description of the process.

BEFORE THE MOVE-OUT

In managing rentals there are five kinds of move-outs depending on the circumstances:

NORMAL SCHEDULED MOVE-OUTS

Normal Scheduled Move-Outs account for about 95% of our business. Once they give us notice to move we will be communicating with them, and with you, right up to the day of the move-out inspection to make sure they keep utilities on; return keys, garage door openers, community keys and passes; and remove all personal property. We give them lists of things to think about so they can avoid fines and earn back their security deposit. Our priority is to get the property back in rent-ready condition. Most renters want their deposit back and pay close attention to these issues.

EARLY TERMINATIONS

Occasionally people get transferred, get military orders or buy another home before their lease ends. We do not have an early termination stipulation in the lease that allows the tenant to move early by paying rent or giving us notice. The only circumstance that a tenant can break their lease with 30-day notice is with verified military orders. We'll notify you immediately upon receiving a notice of this and let you know of our intent to work with the tenant. In most cases we will let the tenant know that they are responsible for the rent until a new tenant can be found. It encourages them to lease the home in tip top shape to avoid paying rent any longer than necessary.

COORDINATED SKIPS

Occasionally renters call us in the middle of their lease term and just tell us they're moving for any number of reasons. They lose jobs, get divorced, can't get along with their roommate or just can't afford the rent anymore. They're not skipping, but they're also not offering to pay the early termination fees; they just want to notify us of their intent to move and want to do it under controlled conditions. We'll notify you immediately and will handle all the charges according to the lease and state law.

SKIPS AND ABANDONMENT

Every now and then, we find a property abandoned. Usually we discover it when we're doing a drive-by due to unpaid rent or an imminent eviction. Often the utilities are off and there's plenty of personal property left behind. When this happens, we'll make a decision about whether we take immediate possession or wait for the sheriff to empty the property. We'll notify you immediately upon discovering your property vacant and keep you in the loop throughout the process.

Eviction takes place when the dispossession process is finalized. Tenants are kept well informed regarding the pending eviction so there are no surprises and they often skip shortly before the sheriff arrives. As we near the day of eviction, we will be monitoring the property, utilities and tenant closely to try to figure out when they leave. We try our best to cooperate with them, so we get keys and garage door openers returned and utilities transferred. Finding a home with the utilities turned off is not pretty, especially when there is food left in the refrigerator and the temperature is 90 degrees. It doesn't happen often, but it happens.

DURING THE MOVE-OUT

We try not to have the tenant present during the move-out inspection, as their presence often turns it into a highly combative event. They usually want to argue about the damages for which we are charging them, claiming the issues were there when they moved in. We will charge for all damages unless we see it on the move-in inspection, or it is normal wear and tear. When they are not present, we mail the inspection by regular and certified mail to their last known address as required by North Carolina law. This procedure satisfies the law and protects our managers from too much conflict. The move-out inspection can take an hour, or several hours, depending on how much damage needs to be recorded. If it's bad, we'll call in another one of our managers, the senior property manager, or a contractor to do a backup move-out inspection. If we are charging the tenant thousands of dollars for damages, we need to go overboard to document it. The more eyes the better. Everyone will take their photos in preparation for proving the charges to the tenant or the judge. If keys or garage door openers are missing, we charge the tenant for them. If the tenant returns them, we take the charge off the list.

PHOTOS

For years we have sought to document our charges to the tenant by taking digital photos of damages just in case the tenant disputes the charges. Often, carpet stains or excessive damages to the walls don't show up well on photos, but it's the best we can do.

NORMAL WEAR AND TEAR

Landlord Tenant Laws prevent landlords from charging renters for "normal wear and tear" on the move-out inspection. All the conflict comes from this. This is very subjective, as three well-trained property managers will come up with three different numbers looking at the same property. We do this with one eye on explaining it to you (and the magistrate judge) if the tenant disputes the charges, as the judge has the final say as to charging damages to the tenant. Some owners think the tenant should return the property in the same condition in which they found it or in a rent-ready condition. While some states allow this standard, North Carolina is not one of those states. Abuse this process and the judge will not go lightly on you when looking over the charges, so being reasonable with the charges is important.

AFTER THE MOVE-OUT

North Carolina law gives landlords thirty days to identify charges and get the information to the tenant for review. Mailing the inspection to them within thirty days of move-out satisfies that requirement. The tenant then has five days to review it and dispute charges in writing if they so choose. If they don't, we disburse the deposit as charged on the inspection and current tenant ledger. North Carolina law requires that we disburse the security deposit within 30 days of the move-out inspection. We will send the tenant a document detailing all the charges they owe, including unpaid rent, late fees, NSF charges, and damages to the property.

DISBURSING THE SECURITY DEPOSIT

If the tenant disputes any charges, we work aggressively to get them in the office to review photos and videos or to the property to re-examine the evidence. If they take too long, we'll make a decision and disburse the security deposit as we see fit. If we see a battle brewing, we can hold their deposit longer, but we risk the wrath of the judge if we don't have good justification for holding it.

WHEN IT'S TIME TO SELL

SELLING TO THE TENANT

The most efficient sale you will ever have is when you can sell the property to the existing tenant. Everybody loves the idea of selling to the tenant because there is no vacancy between the time the tenant moves out and a new buyer moves in. This is the best of all worlds for the owner. So, if it is good for the owner, why doesn't it happen very often? As a broker, we would love to sell to current tenants every time. It's an easier sale, and there is no move-in or move-out to manage. When we got in this business, we thought tenants would buy houses. They do, just not the one they rented. Why?

Here's what we have discovered: when tenants choose a rental, they make compromises in the house, the community and the area. They don't take the time buyers generally take to select just the right house for their family. They aren't thinking ten years, but two; it's just a temporary place to live until they figure out where they want to buy.

Secondly, it's a hard sale. Here's the problem; tenants don't do home inspections before renting a home. When people live in a property for a while, they figure out what's wrong with it. They learn the upstairs does not cool in the summer and the neighbor is a crab. They know what needs to be fixed; they know the problems with the property, and often they won't buy it because they know too much about it. This sounds strange, but for some reason they would rather buy something they know nothing about than buy something they've lived in and know everything about. Stupid as that sounds, we've heard it a thousand times. That being said, if you want to sell the property and it's occupied, we have experienced agents in our office who know exactly what to do. Just ask your manager to put you in touch with them.

LEASE PURCHASE

We have lots of tenants that become buyers. If you are interested in selling through a lease purchase, contact us for details.

LIST FOR SALE

When our clients are done with leasing the property we often sell the home for them. We are experienced licensed brokers and have a dynamic staff of listing agents who know how to get the job done. Because we know a lot about the property, and we have a relationship with the occupant, we are able to get it on the market before they move out and we don't need much from you to make it happen. When you get notice from us that they're moving, let us know if you want to sell.

SHORT SALES

It's a common misconception that a short sale is the best way to get rid of a property in a hurry. What people don't understand is that the owner must be several months behind in the mortgage payments (which is damaging to their credit rating) before their lender will even talk to them about taking a discount on the loan payoff (paying it short). They also won't talk to you if the property is rented. The lender thinks if the property is rented, you should be able to make the payments. Short sales are a common phenomenon of the current real estate market which means three things: the lenders are all doing them differently, the rules are changing weekly and the fad will be over soon. If you think your property is upside down on the mortgage and want to investigate this option, contact your lender and get the story before you call Nest Managers Real Estate about offering it to the renter.

MANAGING THE SEPARATION

There will come a day when we decide to part ways. Eventually everyone does. Since it is inevitable, we want it to be a smooth and orderly transition. Because there are license laws and trust accounts involved, we have to do this very carefully. We have thorough checklists for this process, so our managers don't miss a thing. If there is a tenant in the property this is a little sticky, but we have done it many times and know exactly what the issues are. Some owners decide to manage their own property. Some want another property manager, while others want to sell and be done with leasing. Whatever the reason, we will always be willing and cooperative to make the transition smooth. Here is more on the final process of our relationship:

SEPARATING IN THE MIDDLE OF A TENANCY

Either party can initiate a separation. However, there are two sets of circumstances that generate if you separate from Nest Managers Real Estate in the middle of a tenant's stay in a property, there are some fees to pay. Property managers make their money by keeping good tenants in a property for as long as they can. If you cut us off in the middle of a tenancy, you are cutting short our opportunity to make what we need to make on the overall management of the property. If we put a great tenant in a property, it is only right that we receive management and renewal fees until they vacate. The best time to separate from your management company is between tenants and not in the middle of one.

SEPARATING WITH CAUSE AND WITHOUT CAUSE

Either party can initiate a separation. However, there are two sets of circumstances that generate a separation. One is "for cause", meaning one of us is unwilling to fulfill their agreement and the other is unwilling to continue to tolerate it. As an example: if we don't manage as we agreed, and you call us on it, we must be given the opportunity to correct the problem. If we don't, then you should be able to sever our relationship without penalty. The second is "without cause", meaning there is no contractual reason to separate, just a need to part company. If that takes place, there may be some consequences as we are both counting on each other to fulfill the agreement.

MEDIATION

If a dispute arises out of or related to this Agreement or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation before resorting to arbitration, litigation, or some other dispute resolution procedure, including, but not limited to, complaint filed with North Carolina Real Estate Commission. If the need for mediation arises, the parties will choose a mutually acceptable mediator and will share the costs equally. Nothing in this paragraph shall limit the right to the Agent to terminate this Agreement with seven days' notice or pursuant to any other termination provision as provided in this Agreement.

OFFICIAL NOTICE TO SEPARATE

The management agreement calls for a notification in writing to notify each other of our need to part ways. Upon official notice we'll address all the issues in a methodical and seamless way to facilitate a smooth separation.

CONCLUSION

Property management is a lot more complicated than it looks. There are few trainers, workshops and books to read on the topic so most of the lessons come from the school of hard knocks. Our staff is committed to exceeding your expectations as we manage your property as if it were our own and do it in such a way that there are no surprises.

Once we move a tenant into your property, we'll give you access to more information on our web site designed to increase your knowledge of our processes and systems. Our goal is to set expectations thoroughly so neither of us is surprised or disappointed in our relationship.

WELCOME TO NEST MANAGERS REAL ESTATE!

This handbook is herewith made an integral part of the aforementioned Exclusive Property Management Agreement.

Owner: _____

Date: _____

Owner: _____

Date: _____