



WELCOME TO SMARTEGG PROPERTIES!

We're so glad you've chosen us to manage your investment home/s and we will work hard to take care of your properties as if they were our own. Working with a property management company may be new to you so we wanted to give you the inside scoop on what to expect and how we can best work together. If you have any questions about this, let us know! Our goal is to delight you.

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Creating a Financial Cushion

This section is first because it's so, so important! Please be sure to read it.

Owning a rental property in Austin and the metro area is a great investment because our market is hot and continuing to grow, and our goal is to help you maximize your return on investment. It's important to remember, though, that homes are like living, breathing organisms that require ongoing maintenance and do break down at times. While we don't know what repairs your home will need or when, we do know that your home *will* need them. Some of them may be costly and won't be covered by insurance, such as an old, leaking roof.

While many repairs will be covered by the rent we collect, we can not stress enough how important it is to create a financial cushion set aside specifically for your rental home/s for costs that exceed rental income. In addition, particularly if you have a mortgage, you need to be prepared in case a tenant pays rent late one month or not at all, or if there is an extended vacancy. Abigail Lipson, owner of SmartEgg Properties, owns 3 duplexes and has an \$18,000 emergency buffer set aside strictly for repairs (maybe you think that's excessive but it creates some serious peace of mind for her). While you may not need to set aside this much, we do recommend that you have a minimum of **3 months' worth of rent**.

To emphasize how important having proper finances for your rental property is, we're going to take this a step further and let you know up front that we don't take on clients who can't take care of their properties, and we don't keep clients who won't. In working with us, you agree to keep up your property based on our expert knowledge of what needs to be done. During a make ready, when one tenant is moving out and another will be moving in, this might include significant repairs, so we need you to be prepared for that and ready to provide the funds. In return, we promise to protect your investment, be mindful of your wallet, and spend only what's necessary.

Using Your Owner Portal

Your owner portal is a great resource that provides you with access to important information. You can access your portal from our home page by clicking on the **Management Sign In** button. If you can't remember your password, there is a password reset button. Some owners report that they don't receive the email for the password reset, so should that happen to you, contact us and we will initiate the password reset for you. An email will be sent to you and you must click on the link within an hour, so please be sure you're available to do so when you contact us.

Your portal allows you to do the following:

- Review income and expenses
- Run financial reports
- See important documents, such as the property management agreement, lease, inspection reports, etc.
- Submit a request to us, such as a maintenance request or other inquiry
- Deposit funds into our account when needed to pay for repairs, commissions, etc.

What We Handle on Your Behalf

We are experts at property management and you've hired us for our expertise. We offer a full suite of services to take care of your property but, above all, we offer peace of mind. No late night or holiday

calls for emergency repairs, no dealing with tenants paying rent late, no searching for vendors to handle maintenance, no need to know the laws affecting real estate and property management. We simply handle all of that for you and more. In fact, our systems and processes have been designed for you to be hands off.

When a tenant decides to renew, we'll determine what the rent increase should be, negotiate with the tenants and put them on a lease extension for another 12–24 months. When a tenant decides to move out, we'll find a new quality tenant for you, get the property ready for them and move them in. When a repair request comes in that's under \$500, we'll evaluate whether it's valid, troubleshoot it if we can, then send out a vendor if needed. All of these things happen behind the scenes without you having to dedicate any time or energy to them.

Our property management agreement authorizes us to handle many things on your behalf. We take that responsibility seriously—and have a fiduciary duty to you—and we want to set expectations up front that we will simply handle these things on your behalf without involving you in most cases. You are welcome to ask questions, of course!

When Do I Get Paid?

Rental income (minus expenses) will be disbursed directly into your bank account on or around the 10th of each month. When the 10th falls on a weekend or holiday, you will be paid the first business day after whenever possible.

You will receive an email notifying you of the payment. The direct deposit itself usually takes 1–3 days to show up in your account. You will also receive a second email containing your monthly rental statement, which details all income and expenses over the last 30 days. The first page shows a summary of income and expenses, but be sure to continue on to the remaining pages to see an itemized list. This email also usually contains an article we think you'll find interesting, some new offering we have, or something else we believe will be of value to you.

Expenses & Invoices

As noted above, once a month you'll receive a monthly rental statement detailing your income and expenses. If you want to see more detail, we upload all vendor invoices to your owner portal, which you can view 24/7.

When you log into your portal, you'll want to click on your rental property and then from there you can drill down into expenses for a particular time period. Once you see the expenses in line-item form, you may or may not see a little paperclip icon within a line item. The paperclip is clickable and will bring up the vendor invoice. But, if you don't see paperclips for all expenses (this is some weird glitch of the property management software we use), above the list you'll see that a "Cash" radio button is selected—click on the "Accrual" button instead and then click the green "Search" button. Paperclips will then appear for all expenses and now you can view them all.

As a reminder, our agreement with you contains a \$500 threshold, meaning that we will simply handle any needed repairs that are \$500 or less without contacting you first. Once a month when you receive your rental statement you'll see what, if any, expenses were incurred. You are welcome to log on to your owner portal daily or weekly if you want to keep tabs on expenses more than once a month. Any expenses over \$500, we will contact you for approval first before proceeding, except in cases of emergency.



Why Do We Collect a Reserve?

The reserve ensures that we have funds available to pay for repairs between the time rent is disbursed to you one month and rent comes in the next month. Part of having great vendors who respond quickly to our work orders is paying them in a timely fashion, and most simply can not wait a month to be paid. Having the reserve allows us to pay for their valuable services quickly so they continue to prioritize your rental property.

Occasionally repairs exceed the amount of the reserve and in those cases we will request that you deposit funds into our bank account. Thankfully most repairs can be covered with the reserve amount.

Sometimes We'll Ask You for Funds

Expenses relating to your property are always paid by you, not us, even though we will make those payments on your behalf. In many or most cases, expenses will be covered by rent income we collect. There are a few scenarios, however, where we won't have sufficient funds on hand and, when that happens, we'll ask you to contribute funds into our bank account *within 1-3 days*. Please note that when funds are needed for repairs, those repairs won't begin until we have sufficient funds (and if we don't get them right away, it could lead to disgruntled tenants). So we definitely recommend adding funds quickly!

1. Repairs and maintenance when we first start managing your home or in between tenants. We won't have rent income coming in during these times, so we will estimate how much is needed and ask you to contribute that amount. Any leftover funds will be returned to you once repairs are completed and the funds are no longer needed.
2. Repairs over \$500 during tenancies. We'll only ask you to contribute funds if we don't have enough on hand to cover them. This is usually the case after we have disbursed funds to you one month and before rent has been paid again. If a large repair happens and rent is about to be paid, we'll wait for rent and pay the repair then.
3. Lease commissions due. As per our Agreement, lease commissions (when we find a tenant for you) are due as soon as the lease is signed. We collect this on the same date that rent is disbursed (on or near the 10th of the month). Sometimes it happens that we don't have enough rent income to collect the full amount of the lease commission that is due. In those cases, we will ask you to contribute whatever amount is needed in order to pay us the commission in full. We don't wait until the next month to collect since, in the Agreement, you have agreed to pay us right away.

If we ask you to contribute funds into our account for any of these reasons, it's quick and easy to do so! Log on to your Owner Portal and in the top right you'll see a "Send funds" button. Click on that and fill out the form. Payment is made by entering your checking account information. It only takes a minute to do!

What About Taxes?

Each January you will receive a year-end statement for the previous year, detailing all income and expenses for that year, which you can share with your accountant. In addition, we will send you a 1099-MISC tax form, which gets submitted to the IRS.

If you need the services of a CPA, we highly recommend Daniel Gill. He is Austin-based and very knowledgeable about real estate taxes. We offer this recommendation as a courtesy only because we care that our clients receive top-notch care. You can reach him at

cpadan@danielgillcpa.com or (512) 560-8974. Tell him we sent you!

If you are a citizen of a foreign country and living outside the U.S., please contact us. In many cases we are required to withhold and submit taxes on your behalf. We will encourage you to speak to your own accountant but we can offer some initial guidance.

Maintenance & Repairs

Aside from rent collection, handling maintenance and repairs is one of the most common aspects of property management. Many landlords find this aspect to be a headache and also a challenge to find the right vendor who will respond quickly and do a great job.

We've been doing this a long time and have established wonderful, long-term relationships with many vendors in many different areas: handyman, plumber, HVAC, electrical, cleaning, lawn care, you name it. Because we send them a lot of work and pay them quickly, they prioritize our jobs. We do not mark up vendor invoices so we have no financial incentive to choose one vendor over another based on price. But, because tenants understandably complain when jobs aren't handled correctly, plus this causes extra work for us and potentially more expense for you, we have a strong incentive to work with excellent vendors whom we trust and know will do right by you, by us and by the tenants. The vendors we use are honest and stand behind their work.

We always seek value in choosing vendors but that does not always translate to the cheapest prices (sometimes it does). And we get that if you did the work yourself it would cost less but we only work with qualified vendors to make sure things are done right. Besides, when you do it yourself, sometimes you get what you paid for (wink). We are absolutely mindful of costs but we have found that choosing a cheap vendor can sometimes translate to additional costs for you when another vendor has to come in and clean up after the first one. Rest assured that we'll get multiple quotes for large (non-emergency) repairs. We won't do this on smaller jobs because it's simply not worth it.

We view the long game when considering how to care for your investment property and we know that the repair experience for tenants can make or break whether they renew another year. We don't spend your money on unnecessary items but we also won't nickel and dime on vendors at the risk of losing good tenants, since replacing tenants is costly.

Anytime we prepare a home for a new tenant, in between occupants, the following are standard maintenance items we perform to ensure the home is ready. The last thing you want is for a tenant to move in and the AC breaks down two days later! We always conduct a thorough walk-through of the property and may identify other repairs needed as well.

Standard Maintenance in Between Occupants

Anytime we prepare a home for a new tenant, in between occupants, the following are standard maintenance items we perform to ensure the home is ready. The last thing you want is for a tenant to move in and the AC breaks down two days later! We always conduct a thorough walkthrough of the property and may identify other repairs needed as well.

- Code compliance service: rekeying all locks, checking for smoke and CO detectors, window and screen door latches, deadbolts and peepholes according to city code
- One-time pest control treatment
- HVAC service
- Fireplaces & chimneys cleaned

- Lawn maintenance
- Utilities turned on
- House cleaned—multiple cleanings may be needed until tenant moves in
- Free roof inspection

Keys

We are required by law to rekey the locks in between occupants. This is true regardless of who was the previous occupant, including yourself. The locksmith provides us with a number of key copies that we keep in a locked key box. We don't send you a copy and this is to protect both you and the tenants. It protects you by ensuring that you don't violate the terms of their lease regarding notification, and protects the tenants from that potential violation.

One of the important factors in ensuring our ability to be successful on your behalf is by enforcing the lease and having a single point of communication for the tenants. If you want to visit the property, please go through us to ensure proper protocol. We'll meet you at the property and provide you with access.

If there are inspectors or appraisers who need to gain access, please let us know and we'll arrange it. If in the future you decide to sell the property or move in, we'll make sure all the proper parties have keys.

Pets

We here at SmartEgg Properties are animal lovers and Austin is a pet town. We welcome pets. It's your decision, though, whether or not you want to accept them but please know that if you say no to pets you are likely decreasing the pool of potential tenants by quite a bit.

We mitigate this risk by having applicants fill out a third-party pet screening application *and* collecting a pet deposit for each animal. The pet screening company evaluates the risk of each animal based on factors such as type, breed, size, age and status of vaccinations. They come up with a risk score, called a FIDO score (cute, right?), and rank animals 1–5 paws (again, cute). The pet deposit we collect varies from \$350–500 per animal depending on their FIDO score. It is rare for damages, if there are any, to exceed the security and pet deposit funds we have on hand.

If you do accept pets, we'll need to know if your insurance company has any size or breed restrictions, so please be sure to find out and let us know. High Fidelity Properties will otherwise accept any size or breed, as we believe it is the pet owner who determines the behavior of the animal and not the size or breed itself.

Emotional Support Animals (ESAs): ESAs are not considered pets and, as such, we can not deny people who have them, even if you have a no-pet policy (except in rare instances that have to do with hardship to you—please contact us if you believe that applies). We also can not collect a pet deposit. The tenants are nonetheless responsible for any damages the animal incurs and we can use the security deposit to cover them.

You may be aware that ESA certificates are easy to buy online, even though those certificates are bogus and invalid. Our third-party pet screening company verifies all ESA requests and determines if they are legitimate. If the animal turns out not to be an ESA, the tenant may still have the animal (if you accept pets) and then is given a FIDO score and pays a pet deposit.