FAMILY OWNED PROPERTY MANAGEMENT LLC

WEAR & TEAR AND DAMAGE-DEDUCTION ADDENDUM

to the Property Management Agreement

Residential — Single-Family & Multi-Family | Aligned to HUD Guidance & S.C. Code § 27-40-410

This Wear & Tear and Damage-Deduction Addendum (this "**Addendum**") is entered into by and between the Owner (the "**Owner**") and **Family Owned Property Management LLC** (the "**Manager**"), and is incorporated into and made a part of the Property Management Agreement between them (the "**Agreement**"). It applies to each tenancy the Manager administers for the property governed by the Agreement and takes effect as of the effective date of the Agreement.

Recitals

The Owner has engaged the Manager to manage the residential property that is the subject of the Agreement. The parties wish to adopt a consistent, defensible standard—drawn from federal HUD guidance and South Carolina law—for distinguishing normal wear and tear from tenant-caused damage and for calculating the depreciated amount that may lawfully be deducted from a tenant's security deposit. In consideration of the mutual promises in the Agreement and this Addendum, the parties agree as follows.

1. Purpose and Incorporation

The Owner and the Manager agree that this Addendum establishes the standard by which the Manager distinguishes **normal wear and tear** (a cost of ownership borne by the Owner) from **tenant-caused damage** (chargeable against the security deposit), and by which the depreciated amount lawfully deductible is determined. These standards apply to each tenancy the Manager administers for the property.

Where this Addendum conflicts with the Agreement, this Addendum controls as to wear-and-tear and deposit-deduction matters. Where any provision conflicts with applicable law, the law controls, and the remaining provisions stay in full force and effect.

2. Defined Terms

As used in this Addendum, the following terms have the meanings set forth below.

Term	Meaning
Normal Wear and Tear	The natural, gradual deterioration of a unit and its components resulting from ordinary, reasonable use over time—not from tenant neglect, abuse, accident, or misuse. It is expected, unavoidable, and not chargeable to the tenant.
Damage	Deterioration, defacement, or destruction beyond normal wear that is caused by the tenant, the tenant's household, guests, or pets through negligence, carelessness, accident, abuse, or intentional act. Damage is chargeable, subject to depreciation.
Useful Life / Longevity	The industry-standard number of years a component is expected to remain serviceable for depreciation purposes, used to prorate any replacement charge. This is distinct from a component's maximum physical lifespan.
Depreciation / Proration	The reduction of a replacement charge to reflect the portion of an item's useful life already consumed before the tenancy or through ordinary use, so that the tenant is responsible only for the remaining life that was destroyed.
Proof of Install	Dated documentation—such as an invoice, receipt, photograph, condition report, or serial/warranty record—establishing when a component was installed and its condition, which fixes the item's age and the portion of its cost that may be charged.

3. Governing Standards

The parties acknowledge that the following legal and industry standards govern the determinations made under this Addendum.

South Carolina — S.C. Code § 27-40-410 (Security Deposits)

- **30-Day Return.** Within 30 days after the tenancy ends, possession is delivered, and the tenant demands return (whichever is later), the deposit and/or a written, itemized statement of deductions is delivered to the tenant.
- **Itemization.** Each deduction is itemized in a written notice to the tenant stating the amount and the reason.
- **Permitted deductions.** Accrued rent and damages arising from the tenant's noncompliance—not ordinary wear and tear, and not routine make-ready or turnover costs.
- **Triple-Damages Penalty.** A landlord who wrongfully withholds a deposit may be liable to the tenant for up to three times the amount wrongfully withheld, plus reasonable attorney's fees. Because over-charging for depreciated or worn items is a common trigger, the Manager depreciates each item in accordance with this Addendum.
- **Forwarding address.** The tenant is expected to provide a written forwarding address; notice is satisfied by mailing to the tenant's last known address.

HUD and Industry Standard

Federal HUD guidance (including HUD Handbook 4350.1 and HUD Appendix 5C/5D) is the widely accepted benchmark for separating normal wear from damage and for assigning useful-life values. Its core principle is that **routine costs of turning over a unit after a tenant vacates are not charged to the tenant**, and that an item may be charged only if it was in good condition at move-in and the loss exceeds normal wear. The tables in this Addendum reflect that standard.

4. Normal Wear & Tear vs. Chargeable Damage

The parties agree that conditions are characterized in accordance with the following classifications, which are adapted from HUD examples. Each condition is assessed against the unit's documented move-in condition, which governs in the event of doubt.

Area / Item	Normal Wear & Tear (not chargeable)	Damage (chargeable, depreciated)
Walls & Paint	Faded, cracked, or peeling paint; small nail or pin holes; minor scuffs and marks from furniture.	Large or numerous holes; unapproved paint colors; crayon or marker; gouges; unrepaired anchor or mount holes.
Carpet & Flooring	Traffic-pattern wear; light matting; minor fading; small, reasonably placed indentations.	Pet or urine stains and odor; burns; tears; large stains; missing or gouged planks or tiles; water damage from neglect.
Doors & Windows	Sticking doors; minor worn finish; a hinge loosened by age.	Doors off hinges; broken or cracked glass; holes punched in doors; broken frames or torn screens beyond age.
Kitchen & Bath	Loose grout or tiles from age; worn enamel on old fixtures; a faded countertop finish.	Chipped, cracked, or burned countertops; broken tiles; missing fixtures; mold from tenant neglect; a cracked sink or tub.
Appliances	Normal interior wear; worn finish; fair mechanical aging.	Broken parts from misuse; missing racks or shelves; grease or filth requiring replacement; unrepaired damage.

Area / Item	Normal Wear & Tear (not chargeable)	Damage (chargeable, depreciated)
Fixtures & Hardware	Rusty or aged plumbing fittings; worn cabinet hardware; dimming light fixtures.	Missing fixtures or hardware; broken switches or outlets; blinds damaged beyond age; missing smoke or CO detectors.
Cleaning	Reasonable dirt from ordinary living; light dusting or turn cleaning.	Excessive filth, trash left behind, pet waste, or biohazard requiring above-standard cleaning.

Routine make-ready*—repainting on a routine cycle, standard turn cleaning, re-keying locks, and routine carpet cleaning—is an Owner turnover cost rather than a tenant charge, unless the condition rises to Damage as described above.*

5. Useful-Life (Longevity) Reference Table

The parties adopt the following **depreciation useful-life values for deposit purposes**, drawn from HUD guidance and property-management industry norms. These values set how long an item is treated as having value when a charge is prorated. Actual life varies with grade and quality; where a range is shown, the installed grade is documented and the applicable figure selected. A component's *maximum physical* lifespan may be considerably longer and is not used to charge a tenant.

Component	Useful Life (yrs)	Notes / Basis
PAINT & WALL SURFACES		
Interior paint — flat/latex (walls, ceilings)	**3**	HUD standard; budget-grade may be ~2 yrs.
Interior paint — enamel/semi-gloss (trim, doors, cabinets)	**5**	More durable than wall paint.
Wallpaper	**5–7**	Grade-dependent.
FLOORING		
Carpet — builder/standard grade	**5**	HUD residential norm.
Carpet — mid/premium grade	**7**	Grade is documented to justify.
Carpet pad	**5–7**	Replaced with carpet.
Vinyl / sheet vinyl / luxury vinyl plank (LVP)	**7–10**	Grade-dependent.
Laminate flooring	**10**	—
Hardwood — refinish cycle	**7–10**	Refinishing is charged, not full replacement; boards are long-lived.
Ceramic / porcelain tile	**15–20**	Cracked or missing tiles are charged, not the field.
WINDOW COVERINGS		
Mini-blinds / vinyl blinds	**3**	Low-cost; short life.
Faux-wood / wood blinds	**5–7**	—
Draperies / curtains	**5**	—
COUNTERTOPS & CABINETS		
Laminate countertops	**10–15**	—
Solid-surface / stone (granite, quartz)	**20+**	Chips or repairs are charged; full replacement is rare.
Cabinets (kitchen & bath)	**15–20**	Doors or boxes damaged beyond wear are charged.

Component	Useful Life (yrs)	Notes / Basis
APPLIANCES		
Refrigerator	**10**	—
Range / oven / cooktop	**15**	—
Dishwasher	**9–10**	—
Built-in microwave / range hood	**8–10**	—
Garbage disposal	**10**	—
Washer / dryer (if provided)	**10–12**	—
MECHANICAL SYSTEMS		
Water heater	**10**	HUD standard.
Furnace / HVAC air handler	**15–20**	—
Central A/C / heat pump	**15**	—
Thermostat	**10**	—
PLUMBING FIXTURES		
Faucets	**10–15**	—
Sink (stainless / porcelain)	**20–25**	—
Toilet	**15–20**	Damaged or cracked units are charged.
Tub / shower surround	**20+**	Chips or cracks from misuse are charged.
ELECTRICAL, SAFETY & MISC.		
Light fixtures	**10–15**	—
Ceiling fans	**5–10**	—
Smoke / CO detectors	**10**	Unit is replaced; batteries and testing are ongoing.
Window screens	**5**	—
Interior / exterior doors	**20+**	Holes or breaks are charged, not age.
Locks / re-key	**Each turnover**	Owner cost, not a tenant charge.

6. Calculation of Deductions (Depreciation)

The parties agree that a tenant is charged only for the **remaining useful life** of an item damaged beyond repair, and never for the full cost of an aged item. Where repair is feasible, the cost of repair applies before replacement is considered. Charges are calculated as follows.

$$\text{Tenant Charge} = \text{Replacement Cost} \times (\text{Remaining Useful Life} \div \text{Total Useful Life})$$

where Remaining Useful Life = Total Useful Life − Age of Item (years in service at move-out)

- **An item at or beyond its useful life** carries no replacement charge; only repair or cleanup labor for the immediate condition may apply.
- **Repairable damage** is charged at the reasonable cost of repair rather than replacement.
- **The portion of an item's life** consumed before or during the tenancy is normal depreciation absorbed by the Owner, not a tenant cost.

Illustrative Examples

Scenario	Calculation	Result
Standard carpet *(5-yr life)*, 2 yrs old, ruined by pet.	Remaining = 5 − 2 = 3 yrs. Tenant % = 3 ÷ 5 = 60%. $1,000 replacement × 60%.	**Tenant: $600** Owner: $400
Interior wall paint *(3-yr life)*, last painted 3+ yrs ago; heavy marks.	Item is at or beyond useful life; no repaint charge (routine make-ready).	**Tenant: $0**
Dishwasher *(10-yr life)*, 4 yrs old, broken by misuse.	Remaining = 10 − 4 = 6. Tenant % = 6 ÷ 10 = 60%. $650 × 60%.	**Tenant: $390**
New LVP floor *(installed at move-in, age 0)*, gouged beyond repair.	Remaining = full life (Proof of Install shows age 0). Tenant % = 100%.	**Tenant: full cost**

7. Full Replacement and Proof of Install

The parties agree that full (non-depreciated) replacement cost applies only where the damaged item had **all or substantially all of its useful life remaining**—that is, it was newly installed at or shortly before the tenancy—and was destroyed beyond repair by tenant negligence, abuse, or intentional act. In such a case the Manager holds **Proof of Install** establishing the item's age. Absent such proof, the item is presumed aged and any charge is depreciated or disallowed.

Proof of Install — Supporting Documentation

Proof of Install is established by documentation such as the following.

1. **A dated vendor invoice or receipt** showing the item, the installation or purchase date, and the cost.
2. **A photograph of the new item** at installation or at tenant move-in, bearing a time and date stamp.
3. **A signed move-in condition report** noting the item as new or in excellent condition.
4. **A serial number and/or warranty registration** for appliances and mechanical systems, where available.
5. **The product grade or specification**, supporting the useful-life class applied (for example, premium versus builder-grade carpet).

Where no dated proof of install exists, the charge is depreciated from the earliest documentable date or the item is treated as end-of-life. The parties acknowledge that charging full replacement on an undocumented item is a leading cause of triple-damages exposure under § 27-40-410.

8. Documentation Maintained by the Manager

For each tenancy, the Manager maintains documentation sufficient to support the classifications and charges described in this Addendum, as follows.

At Move-In

- A written, signed Move-In Condition Report is completed for every room and major component.
- Dated, time-stamped photographs or video are taken of all rooms, flooring, walls, appliances, and fixtures.
- Install dates, grades, and serial numbers for major components are recorded, and install receipts are retained.

During the Tenancy

- Repairs and replacements are logged and photo-documented, with dates and costs.

At Move-Out

- A Move-Out Condition Report is completed in the same room-by-room format, with matching photographs.
- Each item is compared against move-in and classified under Section 4, with age noted against useful life.
- **An itemized disposition is prepared within 30 days**, stating for each item the repair or replacement cost, the item's age, the depreciation applied, and the net tenant charge, with receipts and photographs attached.

9. Order of Evaluation

The parties acknowledge that the Manager evaluates each questionable item in the following order, applying the first consideration that resolves the item's treatment.

#	Consideration	Resulting Treatment
1	**The condition existed at move-in (per the signed condition report).**	Not chargeable.
2	**The condition is ordinary wear from reasonable use (Section 4).**	Not chargeable; an Owner turnover cost.
3	**The condition is damage from neglect, abuse, accident, or misuse.**	Evaluated for a charge under the steps below.
4	**The item can be repaired rather than replaced.**	Reasonable repair cost applies.
5	**Replacement is required and the item's install/age is documented.**	Age is determined; absent proof, the earliest documented date governs or the charge is disallowed.
6	**The item is at or beyond its useful life (Section 5).**	No replacement charge applies.
7	**Useful life remains.**	The proration formula (Section 6) applies.
8	**The item was new, with valid Proof of Install (Section 7).**	Full replacement cost applies.
9	**The charge is finalized.**	Itemized (cost, age, depreciation, net) and delivered within 30 days per § 27-40-410.

10. Acknowledgments and Limitations

The Owner acknowledges that this Addendum sets a standardized operational standard and does not constitute legal advice for any specific dispute. The useful-life values are guidelines and may be rebutted by evidence of actual grade, condition, or manufacturer data. Because landlord-tenant law changes and is fact-specific, the Manager confirms current South Carolina law and any applicable local ordinance before finalizing a disposition, and consults the Owner's attorney where a matter is contested, high in value, or unclear. Nothing in this Addendum waives any right or remedy under S.C. Code Title 27, Chapter 40.

11. Agreement of the Parties

By signing below, the Owner and **Family Owned Property Management LLC** adopt this Addendum as part of the Agreement and agree that the Manager will administer wear-and-tear determinations and security-deposit deductions in accordance with it. Except as modified by this Addendum, the Agreement remains in full force and effect.

MANAGER **OWNER**

Family Owned Property Management LLC	______________________________________
______________________________________	______________________________________
Authorized Signature	Owner Signature
Name / Title: _____________________	Name / Title: _____________________
Date: _____________________	Date: _____________________