ARGONAUT INSURANCE COMPANY

Agent: Insurent Agency Corporation
122 East 42nd Street, Suite 3600
New York, NY 10168

No:
Name of Insured:
Mailing Address:

Building Address:

Lease Rental Bond Policy

Coverage Provided

In consideration of the Premium paid by each Tenant to the Insurer in respect of a Coverage Rider issued for such Tenant's Lease, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Insurer hereby insures against Loss of economic value of the Apartment as measured by the Lease Value with respect to such Tenant's Lease on the terms and conditions set forth below.

Conditions

Condition One – Definitions

When used in this Lease Rental Bond Policy, the following words and phrases will have the specific meanings as set forth in this Condition One:

Apartment means the residential apartment unit leased to a Tenant pursuant to a Lease and specified in the Coverage Rider issued to such Tenant hereunder.

Business Day means any day other than a Saturday, Sunday or other day on which commercial banks in New York are required to be closed.

Claim Payment Date means the date that is five (5) Business Days after receipt by the Insurer or its designee of an Initial Claim or Loss Payment Certification.

Coverage Event means with respect to a Lease, the earliest to occur of any of the following: (a) the recovery of possession of the Apartment by the Insured following termination of such Lease as a result of a Tenant's Default, pursuant to (i) an Eviction Proceeding, whether the Insured's recovery of possession is as a result of a judicial determination or a stipulation of settlement, or (ii) an agreement between the Tenant and the Insured terminating such Lease prior to the Lease Expiration with the written consent of the Insurer; or (iii) an abandonment of the Apartment by the Tenant (including non-payment of the Monthly Rent), as evidenced by one or more of the following actions, as verified by the Insured: (a) the Tenant's vacatur of the Apartment; (b) the Tenant's removal of all or almost all of the Tenant's possessions from the Apartment; (c) any writing from the Tenant signifying the Tenant's abandonment of the Apartment; (d) the Tenant's returning of keys to the Apartment to the Insured or the Insured's agent, and (e) any other action by the Tenant which, in the Insurer's sole judgment, indicates that the Tenant no longer claims or

retains an interest in the Apartment or (b) the entry of a judgment after the Lease Expiration against the Tenant under such Lease in a Plenary Action. An agreement entered into between the Tenant and the Insured terminating such Lease prior to the Lease Expiration without the prior written consent of the Insurer will not be a Coverage Event.

Coverage Period means with respect to a Lease, the period of time that is coterminous with such Lease.

Coverage Rider means, with respect to a Lease, the certificate issued by the Insurer to the Insured, in accordance with the terms of this Lease Rental Bond Policy, to extend coverage to such Lease for the Coverage Period. A Coverage Rider may be provided to the Insured by facsimile, electronic mail message, or any other agreed-upon form of data exchange.

Eviction Proceeding means with respect to a Tenant's Default, a legal proceeding brought by or on behalf of the Insured to terminate all of such Tenant's rights with respect to an Apartment and to recover possession of such Apartment.

Initial Claim means the first written request for a Loss Payment following a Coverage Event made in accordance with this Lease Rental Bond Policy.

Insured means with respect to a Lease, the person or entity designated as the landlord under such Lease, and any successor of such person or entity by virtue of the sale of the property in which an Apartment is located, provided the Insurer has received notice in writing of the transfer of interest. If the Insurer has not received notice in writing of such transfer, the Insurer's sole obligation hereunder will be to the landlord identified under such Lease as of the date this Lease Rental Bond Policy is issued.

Insurer means Argonaut Insurance Company.

Lease means, with respect to a Coverage Rider, the written lease agreement between a Tenant and the Insured for occupancy of the Apartment identified in such Coverage Rider. A Lease will only qualify for coverage hereunder if it provides for equal monthly payments of rent, and (a) is for a term of one year, (b) is for a term of one year plus a partial month, provided that the prorated Monthly Rent for the partial month is collected with the first month's rent at the inception of the Lease unless prohibited by law, or (c) is for a term of one year, plus up to three months for which no Monthly Rent will be charged, provided that the free rent period occurs at the end of the Lease term.

Lease Expiration means the date upon which a Lease ends in accordance with its original provisions.

Lease Value means an amount equal to the Monthly Rent multiplied by twelve plus any partial month. Lease Value expressly excludes the value of any extension or renewal of a Lease.

Lease Rental Bond Policy means this Lease Rental Bond Policy.

Loss means with respect to a Lease, the amount of loss expected to be incurred by the Insured as a direct result of a Coverage Event as of the time of the Coverage Event, determined in accordance with the provisions of Condition Seven of this Lease Rental Bond Policy.

Loss Adjustments are: (i) the payment of use and occupancy during the pendency of an Eviction Proceeding; (ii) abatements, waivers, releases, free rent, or any other reductions in the Monthly Rent resulting from any cause (including but not limited to a judicial or administrative order or a written agreement of the Insured), and (iii) any applicable credits, including but not limited to the application of the Security Deposit or the proceeds of re-letting an Apartment as provided in Condition Six hereof.

Loss Payment means with respect to a Coverage Event, the amount paid by the Insurer in accordance with Condition Seven hereof.

Loss Payment Certification means a written certification, to be submitted by the Insured following the making of an Initial Claim, requesting a Loss Payment in respect of that Initial Claim, in accordance with this Lease Rental Bond Policy.

Monthly Rent means with respect to a Lease, the amount of basic rent required to be paid in equal monthly installments by a Tenant to the Insured pursuant to such Lease. Monthly Rent does not include and expressly excludes any security or other deposits, late fees, penalties, pass-through items, service charges, items defined in such Lease as "additional rent," attorneys fees or costs of rent collection, or any fees that are not basic rent required to be paid by such Tenant to the Insured pursuant to such Lease or otherwise.

Plenary Action means with respect to a Lease, an action brought by the Insured to obtain a judgment for money only against a Tenant based upon a Tenant's Default.

Premium means the amount paid by a Tenant as consideration for the Insurer providing coverage in accordance with this Lease Rental Bond Policy and the applicable Coverage Rider.

Tenant means the person or persons designated as tenant or tenants under a Lease.

Tenant's Default means with respect to a Lease, the failure of the Tenant, without fault or collusion on the part of the Insured, to fulfill any one or more of his or her obligations under such Lease.

Security Deposit means with respect to a Lease, any sums paid by the Tenant to the Insured as security in respect of such Lease.

Condition Two – Term of Coverage; Renewal

A. Term of Coverage

Coverage will be in force for the Coverage Period only, as specified in the applicable Coverage Rider.

B. Extension or Renewal of Lease

Under no circumstance will coverage be provided for any renewal or extension of a Lease beyond the Lease Expiration, unless a new Coverage Rider expressly providing coverage for such renewal or extension is issued following the submission by the Tenant and the approval by the Insurer of a new application.

Condition Three –Termination

A. Termination by the Insured

Coverage may be terminated by the Insured only with the prior written consent of the applicable Tenant under a particular Lease, and upon written notice of such termination to the Insurer. Any such termination will be effective as of the date it is received, and will completely relieve the Insurer of any and all liability hereunder, except with respect to any Claim made prior to the effective date of such termination. In the event of any such termination, no portion of any Premium will be refunded except to the extent required by applicable law.

B. Termination of Coverage by the Insurer

The Insurer will not have the right to terminate this Lease Rental Bond Policy or any Coverage Rider issued hereunder except as stated herein. Notwithstanding any other provisions in this Lease Rental Bond Policy, the Insurer will have the right in its sole discretion to terminate this Lease Rental Bond Policy or any Coverage Rider issued hereunder, immediately and without notice, if:

(a) without the prior written consent of the Insurer, which shall not be unreasonably withheld, the Insured permits or agrees to (i) a material change or modification to a Lease, (ii) assignment of a Lease (except as expressly permitted pursuant to Condition Sixteen hereof), or (iii) subletting of an Apartment; or

(b) the Insured has submitted a fraudulent Claim to the Insurer, or has otherwise breached a material obligation of this Lease Rental Bond Policy.

In the event that the Insurer elects to terminate this Lease Rental Bond Policy or any Coverage Rider pursuant to the above conditions, the Insurer will not be obligated to refund any portion of any Premium.

Condition Four – Exclusions from Coverage; Defense of Claims

Exclusions from Coverage. The Insurer will not be liable under any circumstances, and coverage is not included and is specifically excluded hereunder, for any loss caused by or resulting from any of the following:

(a) **Constructive Eviction**. A Tenant's Default arising from a Tenant's inability to occupy an Apartment, to the extent such inability directly results from or is caused by physical damage to the apartment or other circumstances constituting a constructive eviction as such term is defined by applicable law, regardless of the cause of such constructive eviction.

(b) **Failure to Comply with Law.** A Tenant's Default directly resulting from or caused by the Insured's failure to comply with applicable law or regulations.

(c) **Holdover Proceeding or Action for Ejectment**. Any loss arising subsequent to the Lease Expiration in a holdover eviction proceeding or an action for ejectment brought by the Insured in excess of two months past the Lease Expiration.

(d) **Misrepresentation and Fraud.** Any loss, the Claim for which contains any material misstatement, material misrepresentation or material omission, or involves any act of fraud by the Insured.

(e) **Third Party Claims.** Any damages awarded, including, but not limited to, equitable relief, against the Insured arising out of or relating to a claim made by a third-party based upon a Tenant's acts or omissions.

(f) **Out of Pocket Costs.** Out-of-pocket costs incurred by the Insured, including but not limited to attorneys fees, administrative fees, and management fees other than attorneys fees and late fees up to the amount of the net Security Deposit after application of any physical damage.

Defense of Claims. The Insurer will not, and will have no obligation to, provide a defense to or defend the Insured against any claims made in connection with a Lease, whether such claims are brought by a Tenant or by any third-parties.

Condition Five – Conditions Precedent

It is a condition precedent to the coverage hereunder that:

A. Action after Default

(a) No later than sixty-five (65) days after any occurrence of a Tenant's Default for which the Insured seeks coverage hereunder, the Insured will either (i) commence an Eviction Proceeding or a Plenary Action by service of appropriate process, or (ii) commence negotiations to enter into an agreement that will qualify as a Coverage Event (collectively the "Initial Action"). For the purposes of this paragraph, the date of a Tenant's Default will be the earlier of (i) the actual date of the occurrence of such Tenant's Default if the action or

omission to act giving rise to such Tenant's Default occurs on a date certain, or (ii) the date the Insured serves the Tenant with a notice to cure relating to such Tenant's Default in the event the action giving rise to such Tenant's Default does not occur on a date certain. The Insured will promptly furnish the Insurer with copies of all notices, pleadings, and papers served, filed or otherwise required in connection with the Initial Action, and any other relevant documents that may be reasonably requested by or on behalf of the Insurer.

(b) The Insurer is relieved from any obligation to provide coverage for, and this Lease Rental Bond Policy will not pay any loss resulting from, a Tenant's Default occurring more than seventy (70) days prior to the Initial Action. With respect to the Initial Action, the failure of the Insured to furnish all reasonably required documents to the Insurer pursuant to this Condition Five will give the Insurer the right, in its sole and absolute discretion, to deny coverage for any losses arising out of the related Tenant's Default. Any such losses will be the sole and direct responsibility of the Insured.

B. Security Deposit

For each Lease, the Insured shall collect at least one month Security Deposit, which shall be applied as set forth in Condition Six hereof. In lieu of collecting the Security Deposit, the Insured may, at the inception of the Lease, collect the Monthly Rent for the first and twelfth months of the Lease term.

C. Right of Inspection

(a) Upon reasonable notice to the Insured, the Insurer will have the right to inspect the Apartment following a Coverage Event.

(b) In the event the Insured intends to apply more than half of a Security Deposit to the repair of any damage to the Apartment for which such Security Deposit is held, then prior to repairing such damage, the Insured must notify the Insurer of such intent in writing, and allow the Insurer to inspect such damage before the repair of such damage is commenced. The Insurer will conduct any such inspection within three (3) business days of receipt of written notice from the Insured of its intention to so apply the Security Deposit. The failure of the Insured to comply with this condition precedent will give the Insurer, at its sole discretion, the right to reduce the amount of the Loss covered hereunder by the amount of such Security Deposit.

Condition Six – Mitigation of Damages; Reimbursement

A. Re-letting of Apartment; Application of Security Deposit

(a) **Re-letting of Apartment.** Upon the occurrence of a Coverage Event, the Insured will in good faith seek to re-let the Apartment, and the amount of rent received in respect of such re-letting during the period corresponding to the remaining unperformed portion of the Lease shall be considered a Loss Adjustment.

(b) **Insurer's Right to Perform.** In the event that a Tenant vacates an Apartment prior to the applicable Lease Expiration, the Insurer will have the right to propose one or more replacement Tenants to the Insured to enter into a new Lease. The Insured will have the sole and absolute discretion to reject a proposed replacement Tenant, for any reason or no reason. In the event of an anticipatory Tenant's Default where (a) a Tenant seeks to surrender possession of an Apartment and be released from a Lease during the Coverage Period, and (b) the Insured has refused such request, the Insured will immediately notify the Insurer or its designee in writing of such Tenant's request. In such a case, the Insurer will have the right to elect to cause the Insured to release such Tenant from the Lease, which event will be considered a Coverage Event for the purposes of this Lease Rental Bond Policy.

(c) **Application of Security Deposit.** Subject to applicable law, a Security Deposit will be applied in the following order: *first*, to the payment of any actual physical damage to the Apartment during the term of the Lease (excluding ordinary wear and tear), *second*, to any legal and late fees, *third,* to any unpaid Monthly Rent beginning with the first month of unpaid Monthly Rent (such application of the Security Deposit shall be considered a Loss Adjustment) and *fourth*, to any other unpaid or unperformed obligations of the Tenant to the Insured in respect of the Lease. In the event that the Insured does not require a Security Deposit, the Insured shall at the inception of the Lease collect the Monthly Rent for first and twelfth month of the Lease term.

B. Reimbursement

(a) It is the express intention and understanding of the Insurer and the Insured that under no circumstances is the Insured entitled to retain a Loss Payment that is in excess of the Monthly Rent, net of any applicable Loss Adjustments, that would have been due at the time of the Loss Payment. The Insured agrees to actively and in good faith cooperate with the Insurer to ensure that Loss Payments are not made in an amount greater than the amount of a Loss. The Insured expressly agrees and undertakes as an affirmative obligation to promptly remit to the Insurer the amount of a Loss Payment in excess of the amount of a Loss in any circumstance under which a Loss Payment has been made in excess of the amount of a Loss.

(b) In the event the Insurer determines that an Initial Claim or Loss Payment Certification contains or contained a material misstatement, material misrepresentation, material omission, or was submitted fraudulently, then in addition to any and all rights and remedies permitted by law or otherwise set forth herein, the Insurer will have the right to seek reimbursement from the Insured for any and all amounts paid in respect of such Initial Claim or Loss Payment Certification.

A. Submission of Initial Claim

(a) An Initial Claim may not be submitted to the Insurer before, and may only be submitted following, the occurrence of a Coverage Event.

(b) Failure by the Insured to submit an Initial Claim within forty-five (45) days after the occurrence of a Coverage Event will relieve the Insurer of any obligation or liability to pay any Loss arising in respect of that Coverage Event.

B. Calculation and Loss Payment

(a) Loss will be calculated as of the time of the Coverage Event, and shall be an amount equal to the Lease Value, minus (a) the amount of Monthly Rent paid prior to a Coverage Event, minus (b) any Loss Adjustments that occurred prior to the Coverage Event.

(b) Following a Coverage Event and submission of an Initial Claim, Loss Payments will be made on a monthly basis until the expiration of the Coverage Period for such Initial Claim. During the term of the Coverage Period, within forty five (45) days from the first day each payment of Monthly Rent is due, the Insured shall be required to submit a written Loss Payment Certification, in the form provided by the Insurer, for each month for which coverage is provided following the Coverage Event and submission of the Initial Claim.

(c) The amount of each monthly Loss Payment shall be equal to the total amount of Monthly Rent (including arrears) that is unpaid as of the month such Initial Claim or Loss Payment Certification is submitted had the Coverage Event not occurred, reduced by the amount of any applicable Loss Adjustments.

(d) The aggregate amount of Loss Payments payable pursuant to this Lease Rental Bond Policy with respect to a Lease will in no event exceed an amount equal to the Lease Value, less (i) any amounts received by the Insured in respect of or on account of the Monthly Rent, and (ii) any Loss Adjustments.

C. General Claim Requirements

To make an Initial Claim, the Insured must provide the Insurer with:

(a) a properly completed Initial Claim on the form provided by the Insurer (a copy of which is attached hereto as Exhibit A); and

(b) a copy of (i) the judgment of possession or stipulation of settlement obtained, or the statement by the Insured and associated evidence that the Apartment has been abandoned by the Tenant, in respect of such Coverage Event, (ii) the money judgment obtained in respect of such Coverage Event, (iii) documentation evidencing the basis for and the manner in which the Security Deposit was

applied, and (iv) any other documentary evidence reasonably satisfactory to the Insurer showing that a Coverage Event has occurred.

Each subsequent Loss Payment Certification with respect to such Coverage Event may be submitted on or after the date the Monthly Rent would have come due had the Coverage Event not occurred.

Condition Eight – Claim Payment Procedure

Provided a submitted Initial Claim or Loss Payment Certification fully complies with all claim requirements set forth herein, and all conditions precedent with respect to such Initial Claim or Loss Payment Certification have been met, any Loss Payment required to be made to the Insured will be payable on or before the Claim Payment Date corresponding to such Initial Claim or Loss Payment Certification.

Condition Nine – Duty of Cooperation

The Insured will provide the Insurer with a copy of any and all notices provided to a Tenant that relate to a possible or actual Tenant's Default. Such copies may be sent by first class mail, overnight mail, fax, or if applicable, electronic mail, and will be sent to the Insurer concurrently with any such notice. Whenever reasonably requested by the Insurer, whether or not a Tenant's Default has occurred, the Insured will cooperate with the Insurer and furnish all written information in the possession of the Insured or to which the Insured has access with respect to the Lease, including, but not limited to, all documents, files, computer data or other reasonable information requested by the Insurer upon reasonable notice. In the event the Insured receives legal notice of a complaint from a Tenant relating to a Lease (including but not limited to a rent overcharge complaint), it shall promptly provide a copy of such notice to the Insurer.

Condition Ten – Subrogation; Assignment of Judgment

A. Subrogation

Whenever the Insurer has made a Loss Payment under this Lease Rental Bond Policy, the Insurer will automatically have all rights of subrogation in respect of such Loss Payment. The Insured will not act or omit to act to impair the Insurer's right of subrogation in any way.

B. Assignment of Judgment

In the event the Insured obtains a money judgment against a Tenant as a result of a Tenant's Default, then (i) provided the Insurer is in compliance with this Lease Rental Bond Policy (including but not limited to making all Loss Payments required to be made hereunder), and (ii) upon the Insurer's payment of a Loss Payment hereunder, such judgment will be deemed immediately and automatically assigned to the Insurer. Any proceeds of such a judgment collected by the Insurer will be allocated *first,* to the Insurer's cost of collection in respect of

such judgment; *second*, to reimburse the Insurer for any Loss Payments made pursuant to this Lease Rental Bond Policy, and *third*, any remaining amount will be turned over to the Insured. The Insurer will have no fiduciary or other obligation to the Insured with respect to the collection of such judgment.

Condition Eleven – Disputes; Limitation of Actions

Any dispute or controversy arising out of or relating to this Lease Rental Bond Policy, any Coverage Rider issued hereunder or the breach, interpretation or construction of either will be resolved through an action or proceeding brought in the appropriate New York City or New York State Court located in the county in which the Apartment is located. Each of the parties hereto hereby expressly waives the right to a trial by jury in any such action or proceeding. Any such action or proceeding in respect of a Claim under this Lease Rental Bond Policy must be commenced within one (1) year after such Claim is first made. This Lease Rental Bond Policy will be governed by the laws of the State of New York, without regard to principles of conflicts of laws.

Condition Twelve –Representations and Covenants By Insured

As a condition to coverage and a material obligation of the Insured under this Lease Rental Bond Policy, the Insured represents and covenants that:

(a) The Insured has investigated each Tenant's application for a Lease in the same manner as it would for any other potential tenant for a Lease, and has independently determined that each Tenant would not meet the Insured's qualifications for approval as a lessee without taking other measures to mitigate the risk of non-performance. The Insured hereby represents and agrees that it will not discriminate against any Tenant on a prohibited basis, including, but not limited to, race, gender, marital status, religion, national origin, creed, age, family status, disability, sexual orientation, lawful occupation, or immigration status.

(b) The form of Lease that each Tenant executes for an Apartment is substantially the same form of Lease executed by other tenants who were acceptable to the Insured without other measures to mitigate the risk of their non-performance.

(c) The Insured will not use, share, sell or disburse any confidential information it receives about a Tenant from or through the Insurer for any purpose other than providing the services required under this Lease Rental Bond Policy. Such confidential information will include, but will not be limited to, any and all personally identifiable information about a Tenant that the Insured receives from or through the Insurer, and any and all data or information regarding a Tenant's application to participate in the this lease value insurance program.

(d) The Insured shall not cause or collude to cause a Tenant's Default.

(e) The Insured has the legal capacity and is authorized to enter into and perform this Lease Rental Bond Policy. The individual executing this Lease Rental Bond Policy on behalf of the Insured is fully authorized to enter into this Lease Rental Bond Policy.

(f) This Lease Rental Bond Policy, when executed by or on behalf of the Insured, and subject to the execution hereof by the Insurer, will be a valid and binding obligation of the Insured, enforceable against the Insured, its permitted successors and assigns, in accordance with the terms hereof.

(g) Each and every representation and covenant set forth herein shall remain true and correct, and shall be in full force and effect, during the term of this Lease Rental Bond Policy.

Condition Thirteen – Notices

Except as otherwise specifically provided herein, all notices, reports, or other documents required or permitted to be given by either party to the other will be in writing and will be sent by prepaid postage to the recipient at the address shown on the Coverage Rider or at such other address as the respective parties may hereafter specify in writing. Notices will be effective upon receipt by the party to whom the notice is addressed.

Condition Fourteen – Entire Agreement

This Lease Rental Bond Policy, together with the Coverage Rider issued hereunder, will constitute the entire agreement between the Insured and the Insurer. No provision, requirement or condition of this Lease Rental Bond Policy and the Coverage Rider will be deemed to have been waived, altered, amended or otherwise changed unless stated in a writing duly executed by the Insurer and the Insured.

Condition Fifteen – No Assignment

This Lease Rental Bond Policy shall not be assignable by either party without the express written consent of the other party; provided, however, that in connection with the financing of the property in which the Apartment is located, the Insured may assign this Lease Rental Bond Policy to the mortgagee without the Insurer's prior written consent.

Condition Sixteen – Release

Upon the written request of the Insurer, the Insured will deliver to the Insurer a release of all liability with respect to any Coverage Rider issued hereunder, in the form reasonably required by the Insurer: (i) as a condition precedent to the payment of a final Loss Payment under this Lease

Rental Bond Policy, or (ii) upon the Insurer fulfilling all of its obligations under this Lease Rental Bond Policy.

Condition Seventeen – Nonrenewal of Policy

The coverage provided by this Lease Rental Bond Policy is expressly limited to the Lease Value for each Lease for which a Coverage Rider is issued. With respect to any Lease, upon the full Lease Value being realized by the Insured, the coverage provided by this Lease Rental Bond Policy will expire, and this Lease Rental Bond Policy will not be renewed. In the event that a Lease is extended or renewed for an additional term, as provided in Condition Two (B) hereof, no coverage will be provided under the Lease Rental Bond Policy for such renewed or extended Lease unless and until a new Coverage Rider is issued with respect to the extension or renewal of such Lease. The Insurer will not provide any notice of non-renewal of coverage to the Insured with respect to a Lease.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed this ___ day of _____, 20__.

ARGONAUT INSURANCE COMPANY

By: _____
President

Name of Insured

By: _____
Name: _____
Title: _____