

# TENANT LEASE RENTAL BOND

## 1. PROVISION OF COVERAGE

- 1.1. In consideration of payment of the premium by the Tenant shown on the Declaration Page, and for such other good and valuable consideration the sufficiency of which is hereby acknowledged, the Insurer (as indicated on the Declaration Page) hereby issues to Tenant this Tenant Lease Rental Bond (the "Bond") and hereby agrees to indemnify the Obligee against Tenant Default subject to the terms, conditions, exceptions, and limitations expressly set forth herein.
- 1.2. All capitalized terms shall have the meaning ascribed to them as set forth in this Section 12 of the Bond.

## 2. REPRESENTATIONS

- 2.1. As a condition of indemnification to the Obligee, the Obligee represents to the Insurer that:
  - 2.1.1. a Lease Agreement shall be maintained by the Obligee for the Tenant for the duration of the Bond Period and the Obligee shall notify the Insurer or its designee upon termination of each such Lease Agreement; and
  - 2.1.2. Obligee shall not engage in any practices that would be a violation of the Fair Housing Act or other tenant protections under Applicable Law.
- 2.2. In the event of a failure of the Obligee to comply with the aforementioned, or in the event of misrepresentation by the Obligee regarding these representations listed in this Section 2.1, indemnification under this Bond may not apply.

## 3. BOND PERIOD

- 3.1. The initial Bond Period is shown on the Declaration Page. Thereafter, the Bond term will be renewed automatically for additional 1-year periods unless either party provides the other party at least thirty (30) days prior written notice before the expiration date.
- 3.2. In the event that a Lease Agreement is renewed for an additional term, and a Tenant Lease Rental Bond is not in effect for that additional term, the coverage provided under this Bond for such renewed Lease Agreement will be equal to the lesser of (a) one (1) month's rent, or (b) the Coverage Amount (as indicated on the Declaration Page), where permissible under Applicable Law.

## 4. TERMS OF COVERAGE

- 4.1. Loss of Rent is covered under this Bond only if the loss of economic value occurs after the execution date of the Lease Agreement between Obligee and Tenant. Upon the occurrence of Loss of Rent and vacancy by the respective Tenant, the Obligee will in good faith seek to re-rent the Rental Property, and the amount of rent received in respect of such re-renting during the period corresponding to the remaining unperformed portion of the respective Lease Agreement shall reduce the amount of Loss of Rent eligible under this Bond.
- 4.2. Obligee agrees to use standards set by Applicable Law to define what constitutes Damages or Loss of Rent and what is considered Normal Wear and Tear.
- 4.3. Subject to the Coverage Amount shown on the Declaration Page, Insurer's liability for a claim shall be the lesser of (a) the actual Damages sustained, together with Loss of Rent, or (b) the Coverage Amount. Insurer or its designee shall review the completeness of each claim within two (2) business days of receipt of claim submission by Obligee and approve or deny the claim submissions with payment released within two (2) business days.

## 5. SUBMISSION OF CLAIMS

- 5.1. Obligee must submit any and all claims to Insurer or its designee, no later than sixty (60)

days following the effective date of termination of the Bond.

- 5.2. In connection with any claim, the Obligee must provide supporting evidence with and in support of the notice of claim, including but not limited to, photo(s) or invoices in respect of Damages to the Rental Property, copy of Lease Agreement, the relevant excerpt from rental ledger supporting Obligee's claim(s) for loss of economic value in respect of Loss of Rent.
- 5.3. Any Security Deposit held by the Obligee on behalf of a Tenant must first be applied to the payment of Damages and/or the loss of economic value in respect of Loss of Rent in full before a claim for any unrecovered loss of economic value can be successfully made by the Obligee under this Bond.
- 5.4. In the event the Obligee receives monies from the Tenant for Damages or Loss of Rent related to a claim successfully made under this Bond and paid out to the Obligee, the Obligee must return to the Insurer within thirty (30) days a dollar amount equal to the claim proceeds, or portion thereof, that was previously received by the Obligee for the claim.
- 5.5. Claims for loss of economic value in respect of Loss of Rent before the termination of the Lease cannot be reported to the Insurer or its designee unless Loss of Rent is greater than ten (10) days overdue.

## **6. LIMITATION OF LIABILITY; EXCLUSIONS FROM COVERAGE**

- 6.1. Insurer is not a lease guarantor or co-signer on the Lease Agreement.
- 6.2. Coverage is for indemnification of Damages and Loss of Rent only. The Insurer will not, and will have no obligation to, provide a defense to or defend the Obligee against any claims made, or suits brought, whether such claims or suits are brought by a Tenant (or Tenants) or any third party.
- 6.3. The Insurer will not be liable under any circumstances, and coverage is not included and is specifically excluded hereunder, for any loss caused by, resulting from or related to any of the following:
  - 6.3.1. The Tenant's inability to occupy the Rental Property, to the extent such inability directly results from or is caused by circumstances constituting a constructive eviction, as defined by Applicable Law, regardless of the cause of such constructive eviction.
  - 6.3.2. Personal Property of the Tenant or vandalism to the Rental Property not caused by Tenant.
  - 6.3.3. Any existing or future Property Insurance policy or any other insurance policy in effect between the Obligee and parties not explicitly included in this Bond.
  - 6.3.4. Any loss, the claim for which contains any material misstatement, material misrepresentation or material omission, or involves any act of fraud by the Obligee their partners authorized representatives, employees, temporary employees or leased employees.
  - 6.3.5. Third party damages, including, any damages awarded, including, but not limited to, equitable relief, against the Obligee arising out of or relating to a claim made by a third-party based upon a Tenant's acts or omissions.
  - 6.3.6. Any expenses, fees or costs incurred by the Obligee which are not eligible to be withheld from a Security Deposit.
  - 6.3.7. Damages resulting from Normal Wear and Tear.

## **7. Examination Of Obligee's Books And Records; Cooperation**

- 7.1. We may examine and audit Obligee's books and records as they relate to this Bond at any time during the Bond Period and up to three years afterward at Insurer's sole cost and expense.
- 7.2. Obligee agrees to provide Insurer with a sample lease agreement at time of execution of

this Agreement, including at least annually if revised thereafter, and timely notification to Insurer or its designee of all Tenants' lease terminations.

- 7.3. Whenever reasonably requested by the Insurer, whether or not a Tenant Default has occurred, the Obligees will cooperate with the Insurer and furnish all written information in the possession of the Obligees or to which the Obligees have 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.

## **8. CHANGES**

- 8.1. This Bond issued to the Tenant shown on the Declarations page contains all the agreements between Obligees and Insurer concerning the coverage afforded to the Obligees. No provision, term, condition, or requirement of this Bond may be amended, waived, altered, modified or otherwise changed, except by an amendment stated in writing duly issued and executed by agreement of the Insurer and Obligees, and made a part of this Bond.

## **9. DISPUTES**

- 9.1. Any dispute or controversy arising out of or relating to this Bond, or the breach, interpretation or construction thereof 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 Rental Property is located. Each of the parties hereto hereby expressly waives the right to a trial by jury in any such action or proceeding. Each of the parties hereto hereby further agrees that any action or proceeding in respect of a claim under this Bond must be commenced within two (2) years after such claim is first made and expressly waives voluntarily and relinquishes any and all right to assert or plead a longer period of time within which to assert such a claim or commence a cause of action, whether by reason of a longer period provided by any applicable statute of limitations or other Applicable Law. This Bond will be governed by the laws of the State of New York, without regard to principles of conflicts of laws.

## **10. TERMINATION**

- 10.1. This Bond may be terminated by the Obligees at any time by giving advance notice in writing to the Insurer or its designee.
- 10.2. This Bond shall also terminate concurrently with the termination by any regulatory authority of either party's authority to act in accordance with the terms of this Bond in that state.
- 10.3. Notwithstanding any other provision of this Bond, the Insurer shall have the right in its sole discretion to terminate this Bond upon 30 days advance written notice, if:
  - 10.3.1. without the prior written consent of the Insurer, which shall not be unreasonably withheld, the Obligees permit or agree to a material change or modification to a Lease Agreement by the Tenant. Notwithstanding the foregoing, in no event shall Obligees require Insurer's consent for Obligees to approve and consent to Tenant's request to sublet all or any portion of Tenant's apartment. Such subletting shall not constitute a material change under this Bond nor shall Insurer have the right to terminate this Bond, or coverage specifically with respect to the enrollment of the Tenant, resulting from any such sublet.
  - 10.3.2. the Obligees have submitted a fraudulent claim to the Insurer or have otherwise breached a material obligation of this Bond.
- 10.4. In no event shall the Insurer's liability exceed the applicable Coverage Amount shown in the Declaration Page for the Tenant with respect to such coverage in effect as of the effective date of termination.

## **11. NON-WAIVER**

- 11.1. A failure by a party to exercise any right hereunder, or otherwise waive or condone any delay or failure by the other party to comply with any of the terms or conditions of this Bond shall not constitute a continuing waiver of any such requirement or provision, or any rights

of each party hereunder.

## 12. DEFINED TERMS

The following capitalized terms shall have the meanings under the Bond as set forth in this Section 12;

12.1. **“Applicable Law”** shall mean the state and local landlord-tenant laws in the jurisdiction where a Rental Property is located, governing the rights and responsibilities of, and relationship between a landlord and tenant(s).

12.2. **“Coverage Amount”** shall be equal to the amount specified on the Declaration Page.

12.3. **“Damages”** shall mean with respect to a Lease Agreement, the amount of damages, loss or costs incurred or expected to be incurred by the Obligee in respect of a Rental Property, as damages that would otherwise be subject to reimbursement by a landlord from a Security Deposit typically posted by a tenant in favor of a landlord and held by or for the benefit of the landlord as permitted by Applicable Law. Damages shall not include any damages, loss or costs for which a landlord would not be permitted by Applicable Law to assert such a claim for recovery from a Security Deposit or for costs that are considered within Normal Wear and Tear.

In the absence of Applicable Law providing a definition for Damages as provided above, Damages shall be defined as physical damage to the Rental Property caused by Tenant, exclusive of damages resulting from Normal Wear and Tear.

12.4. **“Insurer”** shall mean National Specialty Insurance Company.

12.5. **“Lease Agreement”** shall mean with respect to the Tenant and Rental Property Address identified on the Declaration Page, the written contract between the Obligee and the Tenant(s) specifying the terms under which the Tenant agrees to rent property owned or operated by the Obligee. The Lease Agreement guarantees to the lessee (Tenant) use of the Rental Property and guarantees to the lessor (Obligee) regular payments from the lessee for a specified term.

12.6. **“Loss of Rent”** shall mean with respect to a Lease, the amount of lost and unrecovered economic value in respect of a Rental Property measured by and including:

12.6.1 the value of any lost rent;

12.6.2 related costs and cancelation and other penalties; or

12.6.3 expenses incurred or expected to be incurred by the Obligee, that Applicable Law would constitute as “loss of rents” covered by Security Deposits typically posted by a tenant. This includes, but is not limited to, the monthly Rent and other fees and expenses Tenant is required to pay Landlord as Additional Rent under the Lease.

In the absence of Applicable Law providing a definition, Loss of Rent shall be defined as lost and unrecovered rent, related costs and cancelation and other penalties, or expenses arising out of or related to Tenant Default under a Lease Agreement.

12.7. **“Normal Wear and Tear”** shall mean and include, but not be limited to: normal post-vacancy cleaning or reconditioning of a Rental Property, including carpet, blinds, fixtures, appliances, bathrooms and walls, and normal post-vacancy repairing or reconditioning of such premise’s nail holes, painting of walls, and other similar activities.

12.8. **“Obligee”** shall mean with respect to a Lease Agreement, the person or entity designated as the landlord under such Lease Agreement, and any successor of such person or entity by virtue of the sale or recapitalization of the Rental Property, 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 Agreement as of the date this Tenant Lease Rental Bond is issued.

- 12.9. **“Personal Property”** shall mean all contents, belongings and assets owned or installed by the Tenant, including improvements and betterments attached to the Obligees’ real property that become a permanent part of that real estate.
- 12.10. **“Property Insurance”** shall mean any and all renter’s, building, dwelling, fire or other form of customary property and general liability insurance provided through a Tenant’s homeowner’s policy or an Obligees’ commercial property insurance policy which covers equipment, fixtures and other articles of personal property affixed to, installed at or used in connection with the operation of the property.
- 12.11. **“Rental Property”** shall mean the property owned or operated by the Obligees rented to the Tenant at the Rental Property address specified on the Declaration Page and the Lease Agreement for use by the Tenant(s) inclusive of the individual housing unit, furniture specifically included in the Lease Agreement, and related common areas, if applicable.
- 12.12. **“Security Deposit”** shall mean any amount of money paid in advance by the Tenant to the Obligees as security against the Tenant’s obligations under the Lease Agreement for non-performance.
- 12.13. **“Tenant”** shall mean the Obligees’ tenant identified from time to time occupying Rental Property shown on the Declaration Page.
- 12.14. **“Tenant Default”** shall mean with respect to a Lease Agreement, the failure of the Tenant, without fault or collusion on the part of the Obligees, to fulfill any one or more of Tenant’s obligations under such Lease Agreement.