



“If you come across something that works better, do it immediately.”

Lee Kuan Yew
First Prime Minister of Singapore

What Is AssureLease “LATS” (Landlord Alternative to Security)?

- A financial/risk management program that allows for owners of multifamily apartments that hold between approximately 300 units to 3,000 units to enhance their portfolio utilizing insurance instruments that were previously only available to larger owners/companies.
- “LATS” aggregates the risks associated with tenant default (lost rent, damages, legal expenses) to create a new profit center for landlords (subscribers) from what has historically been a cost center.
- “LATS” gives the landlord the opportunity to create a beneficial financial “trade” to a prospective tenant and removes the need for “concessions” which are far too costly.

BENEFITS

- Eliminates Known Cost Center and Creates New Profit Center
- Increases Occupancy
- Increases Retention
- Increases NOI
- Marketing Advantage – No Need to Ask For Security Deposits
- Creates Tenant Goodwill
- Generates Significant Advantage to Your Bottom Line & Leveraged Value (multiple) of Your Enterprise

The Need for “LATS”

When a traditional security deposit is taken by the landlord/owner from a specific tenant, only one of the following three scenarios can occur:

1. Upon disposition of the lease, the tenant has NO losses – a non occurrence – with admin expense.
2. Upon disposition of the lease, the tenant has a partial loss (minor damage to the unit) a partial occurrence – with administrative expense.
3. Upon disposition the tenant has a loss in exceedance of the security deposit. These losses, when aggregated annually across a large portfolio, create a non recoverable deficit that negatively impacts NOI – PLUS admin expense.

VALUE

- Aggregate vs. Specific coverage
- Access to Specialized Insurance Partners
- No Tenant Privity to Contract
- Innovative Captive Structure
- No Pre-Funding Capital Needed
- Immediate Claims Payment
- No Tail/Post Liabilities
- Potential Tax Advantages
- Reduces Tenant Financial Burden
- Differentiates Your Property From Competitors

Impact on the Four Quadrants of Risk

<p><u>OPERATIONAL</u></p> <ul style="list-style-type: none">➤ Reduces Administrative Costs➤ Reduces tenant litigation and recovery actions➤ Reduces “negative” tenant interaction	Reduce	Increase	<p><u>FINANCIAL</u></p> <ul style="list-style-type: none">➤ Increases portfolio valuation through elimination of negative impact to NOI➤ Eliminates potential “bad claim” scenarios➤ Eliminates a costly barrier of entry to the tenant
<p><u>STRATEGIC</u></p> <ul style="list-style-type: none">➤ Increases Occupancy➤ Increases roll over rate➤ Creates a “differentiation”➤ Enlarges potential tenant pool➤ No Tenant “privity” of contract	Retain	Transfer	<p><u>INSURABLE</u></p> <ul style="list-style-type: none">➤ Transfers known risk➤ Protects balance sheet➤ Allows for expense smoothing

Eligibility Guidelines

- 300 Minimum owned units
- Market rate portfolio
- Currently taking some type of security from tenants
- Currently track damages and loss of rents
- Occupancy rate not less than 92%
- Standard lease agreement used for all tenants
- No coverage for first 3 months (90 day waiting period) – First Year Only
- Management Software utilized (Yardi, MRI, RENTEC as examples)
- In addition, the “LATS” program will request data for underwriting including: sample lease and portfolio schedule. All information exchanged will be mutually confidential.
- Acceptance to the program is NOT guaranteed and subject to underwriting in all cases.

Example of Balance Sheet Economics

Actual Case Study Statistics

Existing Portfolio Utilizing Traditional Security Deposits

Total Units:	2,136	Average Security Deposit	\$1,000
Average Monthly Rent/Unit	\$1,171	Total Current Losses	\$120,000 ²
Total Annual Rent	\$30,023,500	Administrative Costs @ 25%	\$30,225 ³

Traditional Security Program Findings

Security Deposits	<u>\$2,136,600</u>
Covered Losses	\$30,020 ⁴
Bad Debt	(\$90,040) ⁵
Admin Costs	(\$30,225) ³
Net To Owner	(\$120,295)

AssureLease "LATS" @ 1.5% Rate Program Findings

Captive Funding To Pay Claims	<u>\$450,325</u>
Covered Losses	\$112,581.25
Bad Debt	0
Dividend/Retention of Funds	\$202,646.35 ⁶
Program Expense + Insurance Expense	(\$135,097)
NET TO OWNER:	\$315,227.50

Annual Cash Flow Advantage = \$435,522.50

1. Numbers are rounded and are based on an actual portfolio.
2. Total annual portfolio losses caused by damages, loss of rents and legal expenses above security deposit limits.
3. Industry average cost of 25% of security deposit losses to administer the collection, loss determination and return.
4. Amount of losses fully covered within/under the traditional security deposit limits.
5. Amount of losses not covered in excess of the traditional security deposit limits.
6. 100% of unused funding returned to landlord/owner.

Implementation of AssureLease LATS Alternative To Security Deposits

Example Benefits to the Aggregate Portfolio (1% rate example used)
- 1,000 unit portfolio -

	<u>Before LATS</u>	<u>After LATS</u>	<u>Change</u>
Occupancy	95%	96%	+1.00%
Rent Per Month	\$1,000.00	\$1,010.00 ¹	+1.00%
Total Rent (annual)	\$11,400,000	\$11,635,200	+2.06% (+\$235,000)
Security Deposits	\$950,000	\$0	N/A
Program Funding	N/A	\$115,200	N/A
Total Rent (annual)	\$11,400,000	\$11,520,000	+1.05%
Expected Dividend	N/A	\$55-60k	NET GAIN
Uncovered Claims	YES	NONE	NET GAIN
Retention Increase	?	YES	NET GAIN
Admin Expense Reduction	NO	YES	NET GAIN

1. All rates set after complete underwriting

AssureLease “LATS” Reciprocal Insurance Program Partners

- **Program Manager - AssureLease LLC, New York, NY**
- AssureLease created the concept of a Landlord controlled Insurance based program to utilize in lieu of taking traditional security deposits which can only accrue negative impact to NOI, thereby hurting the valuation of the underlying portfolio and through its proprietary underwriting models and are the only one to offer this type of coverage today.

- **Wholesaler - RT Specialty, Kansas City, MO**
- RT Specialty is a leading wholesale distributor of specialty insurance products and services. Our specialist brokers handle a comprehensive mix of property, casualty, professional lines, transportation and workers’ compensation insurance products from insurance carriers to retail brokerage firms. We define ourselves through our superior execution on behalf of our clients, which has established us as a leader in the industry.

- **Legal Counsel - Primmer Piper Eggleston & Cramer, Montpelier, VT**
- Primmer & Piper is a recognized law firm specializing in the captive industry. They have led the industry practice of incorporating reciprocal insurance company structures within captive companies. They are licensed to practice in both Vermont and DC.

- **Tax and Audit - Crow Horwath International, LLP, Burlington, VT**
- While Crow Horwath is an international accounting firm, their Vermont office specializes in tax and audit services for the captive industry and at a cost that is significantly less than the Big 4. They have in-depth experience in captives being established as reciprocals.

AssureLease “LATS” Contact Information

The AssureLease product is patent protected by AssureLease LLC. AssureLease LLC was formed to design, develop and patent the AssureLease™ business process as it relates to commercial, multifamily and student housing lease tenant default insurance coverages. AssureLease has accessed a non-admitted property and casualty insurer experienced in underwriting this risk. The management of AssureLease comprises seasoned insurance, real estate, legal and risk management executives who have combined their various skills in the development and design of the AssureLease™ product.

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