

MODEL MANAGEMENT LETTER AGREEMENT

1. Description. This Model Document is a letter agreement in which an owner engages a management company to manage a relatively small and straightforward parcel of real property, such as a small apartment house outside of New York City, designed for use where we represent the owner, but the owner desires a simple, short and relatively nonlegalistic document that does, however, cover the fundamental points. This Model Document was originally prepared for possible use at a garden apartment complex in New York State (outside the City) taken back as REO.

2. Substantive Comments. Please note these substantive issues when using this document.

2.1 Type of Real Property. This model form was originally prepared for use with an apartment complex. It does not include provisions that might be unique to retail or office buildings.

2.2 Insurance. This form assumes Owner will provide insurance covering Manager's negligence, as well as other insurance. Confirm appropriateness and feasibility of all insurance provisions with the client's insurance advisers. Should manager provide insurance? Should insurance be paid from the operating account or by owner separately as part of a blanket policy? Revise as appropriate.

2.3 Personnel Costs. The cost of the Building Manager can be charged to the operating account or paid without reimbursement by Manager, depending on the circumstances. Adjust accordingly. Manager pays for personnel above Building Manager.

2.4 Termination. This form provides for a wide-open termination option, under the theory that ease of termination cures almost all ills.

3. Prenegotiated Terms. The following terms were "prenegotiated" in favor of the other party to this document. Consider taking a more aggressive position.

3.1 Signing of Leases. Manager is authorized to sign leases that comply with this agreement.

4. Other Documentation. This Model Document may require the following additional documents, exhibits, etc.:

4.1 Management Transition. Client to coordinate such matters as bank account, notices, delivery of management documents.

5. Points Not Covered. The following points could be covered in a document of this type, but are not covered in this Model Document for the following reasons:

5.1 Check Signing. May wish to require Owner's signature for checks over a certain amount.

The following model document is provided with no guarantee or warranty at all, and does not define a "minimum standard of practice." Consent is granted for any person to use and adapt this model document for specific transactions, but only where appropriate and correct in context.

5.2 *Extensive Detail.* Most of the detail in a typical management agreement has been excluded from this document, which covers only the major bases. For an example of a “full-blown” management agreement, see document 0011000.

5.3 *Lockbox.* Any coordination or compliance activities relating to a lockbox arrangement imposed by a building lender.

Attention: _____

Management of _____, _____ Street, _____, New York (the “Building”)

Dear _____:

This letter will confirm that we (“Owner”) are engaging you (as “Manager”) to manage the Building on our behalf beginning on the date of this letter and continuing until the Termination Date as defined below.

1. Management Services and Standards. Manager shall provide all management services typically provided by a manager of properties similar to the Building, all to a standard of quality reasonably satisfactory to Owner, but in any case to a standard no lower than that previously maintained for the Building. Manager’s management services shall include: leasing; preparation of units for rental; payroll; operation of all Building services; maintenance of an operating account for the Building; disbursement of all operating expenses; advertising and marketing (subject to Owner’s prior written approval of Manager’s budget and plan); and oversight and management of all construction projects. Manager shall comply with Owner’s reasonable instructions regarding how Manager performs its obligations under this agreement. Owner shall be responsible for the actual cost of operating, maintaining, repairing, and improving the Building. Manager acknowledges that the relationship established by this agreement is of a fiduciary nature.

2. Disbursements and Approvals. Manager shall make normal and routine disbursements, all by check, from the operating account, which shall at all times remain Owner’s property and be held and maintained in trust by Manager for Owner’s benefit. Manager’s operations and disbursements must substantially comply with the most recent budget approved by Owner, except to the extent that Owner authorizes deviations or as necessary in an emergency as provided for below. Owner’s prior approval, and competitive bidding (unless waived by Owner) shall be required for any disbursement that either: (a) exceeds \$_____ (the “Approval Threshold”) and is otherwise of a nonrecurring nature; or (b) constitutes a capital item. Manager shall disburse excess funds in the Building account to Owner when and as reasonably instructed by Owner. At all times at least two employees of Owner shall have signature authority over the Building account.

3. Management Fees. Manager shall receive as its entire compensation for all services to be provided pursuant to this letter agreement, including all leasing, marketing and construction management: (a) _____ percent of gross rental income; plus (b) _____ percent of the cost of any construction project whose cost exceeds the Approval Threshold. Manager may disburse its fee directly from the Building account. No indirect, overhead, or central office expenses of Manager (including any personnel costs of [the Building Manager or]

anyone senior to the Building Manager) may be paid from the Building account or otherwise reimbursed, except as expressly provided in this agreement.

4. Reporting and Audits. Manager shall provide Owner with whatever reasonable budgets, reports, rent rolls, and other documentation Owner reasonably requests, within a reasonable time after request. Manager shall allow Owner to reasonably inspect, audit, and copy Manager's books, records and files relating to the Building, all of which Manager shall maintain separately from other properties.

5. Leasing. Manager shall lease vacant apartments (and renew existing leases) for terms of up to one year in accordance with Owner's written guidelines as in effect from time to time, using a standard form of lease approved by Owner. Manager shall perform credit checks on potential tenants. Manager may sign leases and extensions as Owner's agent provided they comply with this paragraph.

6. Compliance with Law; Reporting. Manager shall at Owner's expense (but at Manager's expense as to any obligations that arise because of Manager's intentionally wrongful or grossly negligent acts) comply with all laws and codes affecting the Building, including antidiscrimination law. Nonemergency expenditures in excess of the Approval Threshold as necessary for legal compliance must be approved in advance by Owner. Manager shall promptly notify Owner of any casualty, condemnation, litigation, claims by a governmental authority, tenant default (continuing for more than thirty days), or other material event affecting or potentially affecting the Building. Manager shall obtain Owner's prior approval of any filing or application with any governmental authority relating to the Building.

7. Building Manager. Manager shall consult with Owner before hiring or replacing the Building manager or other comparable individual having primary responsibility for managing and operating the Building (the "Building Manager"). Manager shall at all times have a single Building Manager designated for the Building.

8. Risks; Insurance; Emergencies. Manager shall be responsible for the intentional or fraudulent acts of Manager's principals and employees with respect to the Building. Owner shall provide insurance to cover the negligent acts of Manager's principals and employees in rendering services within the scope of, and in compliance with, this agreement. [Owner] shall provide workers' compensation insurance and other insurance normally carried with respect to buildings similar to the Building or as required by Owner. Manager shall maintain fidelity and theft insurance on Manager's employees, at the expense of [Owner], all in a manner reasonably satisfactory to Owner. In an emergency, Manager shall take such actions and make such expenditures from the Building account as may be reasonably necessary, but shall seek to minimize such expenditures and shall notify Owner thereof as promptly as reasonably possible.

9. Service Contracts; Use of Affiliates. Manager may, as Owner's agent, enter into normal and reasonable third-party service contracts for the Building provided they are terminable without penalty on no more than thirty days notice and contain such Owner protections as Owner shall require. Manager may engage companies affiliated with Manager to provide Building-related services of a nature that would otherwise be purchased from third

parties and paid for by Owner, but only if Manager has notified Owner of the affiliation in writing; has certified to Owner that the fees and charges of Manager's affiliate do not exceed market rates; and has completed such competitive bidding, if any, as Owner shall have required.

10. *Professional Services.* If Manager desires to evict any tenant or otherwise enforce any lease, Manager shall first obtain Owner's approval. Reasonable legal fees for approved evictions and other lease enforcement activities may be paid from the Building account. Manager shall not engage outside accountants without Owner's approval. Manager shall provide, as part of its services under this agreement (and without reimbursement), all accounting, bookkeeping and payroll services necessary to comply with this agreement. To the extent that Manager, with Owner's approval, engages outside accountants, Manager may pay their fees from the Building account. This agreement does not cover brokerage services in connection with the sale of the Building. If Manager receives any inquiries from potential purchasers, Manager shall promptly refer them to Owner without expectation of payment.

11. *Owner Protections.* Manager shall have no authority to bind Owner except as expressly provided for in this agreement. Notwithstanding anything to the contrary in this agreement, Owner's liability under this agreement shall in no event extend beyond Owner's interest in the Building, including the proceeds thereof. Manager shall cooperate with Owner as reasonably requested in connection with any sale or refinancing of the Building, such as by providing information and documents and signing a subordination agreement with any mortgagee in the form required by such mortgagee.

12. *Termination.* The "Termination Date" shall mean whichever of the following occurs first: (a) Owner's sale or other transfer of the Building (including as the result of foreclosure or deed in lieu of foreclosure, unless the transferee elects to leave this agreement in place for the time being); (b) the date thirty days after Manager or Owner gives notice terminating this agreement; (c) any termination date designated by Owner (for any reason or no reason) on less than thirty days notice, provided that Owner's notice of termination is accompanied by a payment estimated to equal the incremental management fee that Manager would have earned under this agreement if Owner had instead given thirty days notice of termination; (d) if Manager breaches this agreement and fails to cure such breach within ten days after written notice from Owner; or (e) at Owner's option, without prior notice or payment by Owner if Manager commits any fraud or abuse, including kickbacks, noncompetitive bidding, improper handling of funds, or failure to disclose payments to affiliates. On any Termination Date, Manager shall deliver to Owner or as Owner directs all documentation in Manager's possession relating to the Building; shall transfer the Building account as Owner shall direct; and shall otherwise cooperate to achieve a smooth and successful transition. Any outstanding liabilities and obligations of the parties shall survive the Termination Date.

We look forward to your successful management and operation of the Building in the coming period, and to a mutually satisfactory relationship.

Thank you.

Very truly yours,

[PROPERTY OWNERSHIP ENTITY]

By: _____

Name: _____

Title: _____

Agreed to and accepted.

[MANAGER]

By: _____

Name: _____

Title: _____