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## The Players

- Lender / Administrative Agent / Servicer
- Borrower / Property Manager
- Lockbox Bank
- Cash Management Bank (Lender/Servicer)
- Don't forget the tenants!

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# The Accounts

- **Restricted/Lockbox Account – held at Lockbox Bank**
- **Cash Management Account – held at Lender/Servicer**
  - Reserve subaccounts (taxes/insurance, debt service, TI/LC, replacement, operating expense, capital improvement, etc.)
  - Remainder/Excess cash subaccount
- **Operating Account – Borrower's operating account held at its bank of choice**

# The Documents

- **Loan Agreement**
- **Cash Management Agreement**
- **Lockbox Agreement / Restricted Account Agreement / Deposit Account Control Agreement**
- **Tenant direction letters**

# Terminology

- **“Hard” Cash Management** – references a regime where funds flow automatically from Lockbox Account into the Cash Management account without prior need of a triggering event
- **“Soft” Cash Management** – funds flow from the Lockbox Account to Borrower’s Operating Account until the occurrence of a triggering event
- **“Springing” Cash Management** – in its truest sense, an obligation of Borrower to enter into a cash management regime upon a triggering event, such as Event of Default ... *good luck with that*. More frequently, describes a dormant Lockbox Account that is not utilized until a triggering event has occurred

**Don’t trust anyone’s use of these terms ... they are universally confused/misused. Read the term sheet.**

# Terminology (cont’d)

- **Lockbox** – properly used, this references a post office box where checks are mailed or a clearing account where wires are received directly from tenants (not workable in self-storage, multifamily, or mobile home “communities”)
- **Waterfall** – a series of subaccounts that are sequentially “filled” with cash flow (typically monthly), “flowing” from the most crucial subaccount to the least, typically ending with either a collateral “cash trap” account or disbursement of the remainder to the Borrower’s operating account

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Title search: Cash Management - A Primer - or "Hand over the money and no one gets hurt"

Also available as part of the eCourse

[2020 Commercial Real Estate Lending Hot Topics: Tenant Distress during COVID-19; Environmental Due Diligence; Ancillary Construction Loan Documents and More](#)

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54<sup>th</sup> Annual William W. Gibson, Jr. Mortgage Lending and Servicing Institute session  
"Cash Management: Lockboxes, Waterfalls, Sweeps and More!"