

DEED OF GROUND LEASE

THIS DEED OF GROUND LEASE (this "Lease" or the "Lease") is made and entered into this _____ day of _____, 20____, by and between THOMAS JEFFERSON COMMUNITY LAND TRUST, a Virginia nonprofit corporation (the "Lessor"), and _____ (whether one or more, and, if more than one, jointly and severally, the "Lessee").

WHEREAS, the Lessor is organized exclusively for charitable purposes, including, but not limited to, the development and preservation of decent, affordable housing and the creation of homeownership opportunities for low and moderate income people who would otherwise be denied such opportunities because of limited financial resources; and

WHEREAS, a goal of the Lessor is to stimulate the conveyance of decent, affordable housing among low and moderate income people by providing access to housing for such people at affordable prices through the long-term leasing of land; and

WHEREAS, the Leased Premises (as hereinafter defined) have been acquired and are being leased by the Lessor in furtherance of these charitable purposes; and

WHEREAS, Lessee shares the purposes and goals of the Lessor and has agreed to enter into this Lease not only to obtain those benefits to which Lessee is entitled under this Lease, but also to further the charitable purposes of Lessor; and

WHEREAS, Lessor and Lessee recognize the special nature of the terms and conditions of this Lease, and each of them, with the independent and informed advice of legal counsel, freely accepts these terms and conditions, including those terms and conditions that may affect the marketing and resale price of any Improvements (as hereinafter defined) on the Leased Premises; and

WHEREAS, it is mutually understood and accepted by Lessor and Lessee that the terms and conditions of this Lease further their shared goals over an extended period of time and through a succession of owners;

NOW THEREFORE, in consideration of the foregoing recitals, the mutual promises of Lessor and Lessee, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

ARTICLE 1: Letters of Stipulation and Acknowledgment

Attached as the exhibit entitled LETTERS OF STIPULATION AND ACKNOWLEDGMENT and incorporated herein and made part of this Lease by reference are (a) a Letter of Stipulation of Lessee, and (b) a Letter of Acknowledgment of legal counsel of Lessee, setting forth their respective review and understanding of this Lease (in particular, Article 10, regarding the transfer, sale, or disposition of the Improvements) and any related documents for the transaction contemplated by this Lease.

ARTICLE 2: Demise of Leased Premises

2.1 PREMISES: Lessor, in consideration of the rents and the terms and conditions of this Lease, does hereby demise and lease unto Lessee, and Lessee does hereby take and lease from Lessor, the property (referred to in this Lease as the “Leased Premises”) described in the attached exhibit entitled PREMISES, which is incorporated herein by this reference. Lessor has furnished to Lessee a copy of the most current, if any, title report previously obtained by Lessor for the Premises, and Lessee accepts title to the Leased Premises in their condition “as is” as of the execution of this Lease.

2.2 RESERVATION OF MINERAL RIGHTS: Lessor reserves for and unto itself all the minerals and other extractive resources of the Leased Premises. This reservation shall not diminish the right of Lessee under this Lease to occupy and freely use the Leased Premises. Any eventual extraction by Lessor of minerals or other extractive resources shall be carried out with as little disruption to Lessee as is reasonably possible. In instances requiring a material disruption of Lessee’s right of use and occupancy of the Leased Premises, Lessor shall not make such extraction without the consent of Lessee, such consent not to be unreasonably withheld or unduly delayed or conditioned.

ARTICLE 3: Duration of Lease

3.1 PRINCIPAL TERM: The term of this Lease shall be 90 years, commencing on the ___ day of _____, 20___, and terminating on the _____ day of _____, 20___, unless terminated sooner as provided herein.

3.2 CHANGE OF LESSOR; LESSEE’S RIGHT TO PURCHASE: In the event that ownership of the land comprising the Leased Premises (the “Land”) is conveyed or transferred (whether voluntarily or involuntarily) by Lessor to any other person or entity, this Lease shall not cease, but shall remain binding and unaffected. However, in the event Lessor desires or attempts to convey the Land to any person or entity other than a nonprofit corporation, charitable trust, governmental agency or other similar entity sharing the same or similar goals described in the Recitals above (or as security for a mortgage loan), Lessee shall have a right of first refusal to purchase the Land. This right shall be as specified in the attached exhibit entitled FIRST REFUSAL, which is incorporated herein by this reference. Any sale or other transfer contrary to this section 3.2 shall be null and void.

ARTICLE 4: Use of Leased Premises

4.1 RESIDENTIAL USE ONLY: Lessee shall use, and shall cause all occupants to use, the Leased Premises and Improvements only for residential purposes and any incidental activities related to residential use that are currently permitted by applicable zoning law as indicated in the attached exhibit entitled ZONING, which is incorporated herein by this reference. [In addition, use of the Leased Premises shall be further limited by the restrictions set forth in the attached exhibit entitled RESTRICTIONS, which is incorporated herein by this reference and is subject to change by Lessor from time to time without prior notice to Lessee.]

4.2 RESPONSIBLE USE AND COMPLIANCE WITH LAW: Lessee shall use the Leased Premises in a manner so as not to cause actual harm to others or create any nuisances, public or private; and shall dispose of any and all waste in a safe and sanitary manner. Lessee shall maintain the Leased Premises and Improvements in good, safe, and habitable condition in

all respects, except for normal wear and tear, in full compliance with all applicable laws and regulations, and in such condition as is required to maintain the insurance coverage required by section 9.4 of this Lease.

4.3 RESPONSIBLE FOR OTHERS: Lessee shall be responsible for the use of the Leased Premises by all residents and their families, friends, licensees and visitors and anyone else using the Leased Premises for any reason whatsoever and, when applicable, shall make all such people aware of the spirit, intent and appropriate terms of this Lease.

4.4 OCCUPANCY: Lessee shall occupy the Leased Premises for at least ten (10) months of each year of this Lease, unless otherwise agreed by Lessor, all as calculated by Lessor in its absolute and sole discretion. Occupancy by the children of or other immediate family members or dependents of Lessee shall be considered by Lessor in its determination of occupancy by Lessee but are not dispositive with respect to any final determination by Lessor.

4.5 INSPECTION: Lessor may inspect any portion of the Leased Premises including the interior(s) of Lessee's Improvements, at any reasonable time, but not more than _____ times in a single calendar year (provided, however, that inspections in the case of emergency shall not constitute an inspection limited by such number), and in any reasonable manner, upon at least _____ hours' oral notice to Lessee. In the event of emergency, as determined by Lessor in its absolute and sole discretion, Lessor may inspect any portion of the Leased Premises including the interior(s) of Lessee's Improvements without notice provided Lessor shall have made reasonable efforts to give advance notice to Lessee. This right of inspection shall not, under any circumstances, be deemed a duty of Lessor to inspect.

4.6 LESSEE'S RIGHT TO PEACEFUL ENJOYMENT: Subject to Lessor's inspection rights as set forth herein, Lessee has the right to undisturbed enjoyment of the Leased Premises, and Lessor has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Lessee, subject to the provisions of this Lease.

ARTICLE 5: Ground Lease Fee

5.1 GROUND LEASE FEE: In consideration of the possession, continued use, and occupancy of the Leased Premises, Lessee shall pay to Lessor a monthly ground lease fee ("the Ground Lease Fee") of _____ dollars (\$____), as amended pursuant to the terms of this Lease from time to time. [*Base will be \$25 per month for households with incomes below 80% AMI.*]

5.2 PAYMENT OF GROUND LEASE FEE: The Ground Lease Fee shall be payable to Lessor at the address specified in this Lease as Lessor's address, on the first day of each month for as long as this Lease remains in effect, unless, with Lessor's consent, the Ground Lease Fee is to be escrowed by a Permitted Mortgagee (as hereinafter defined), in which case payment shall be made as specified by that Permitted Mortgagee. If the Lease commences on a day other than the first of the month, a pro-rata portion of the Ground Lease Fee shall be paid for the balance of the month at the time the Lease is executed.

In the event that any amount of payable Ground Lease Fee remains unpaid when the Improvements are sold and the Lease is terminated or assigned to another party, the amount of payable Ground Lease Fee shall be paid to Lessor out of any proceeds from the sale of the Improvements otherwise due to Lessee at the time of such sale.

5.3 CALCULATION OF GROUND LEASE FEE: The Ground Lease Fee specified in section 5.1 above has been calculated as follows. First, an amount approximating the monthly fair rental value of the Leased Premises has been established, current as of the commencement of the lease term, recognizing that use of the Leased Premises is restricted by some of the provisions of the Lease. Then the affordability of this monthly amount for Lessee has been analyzed and, if necessary, the amount has been reduced to yield the amount stated in section 5.1 above, which has been determined to be affordable for Lessee.

5.4 REDUCTION, DELAY OR WAIVER OF GROUND LEASE FEE: Lessor may reduce, delay or waive entirely the Ground Lease Fee at any time and from time to time, in Lessor's absolute and sole discretion, for the purpose of ensuring affordable monthly housing costs for Lessee. Any such reduction, delay, or waiver must be in writing and signed by Lessor before being effective.

5.5 ADJUSTMENT OF GROUND LEASE FEE: The Ground Lease Fee stated in section 5.1 above, as adjusted in the way provided below, shall be applicable during the term of this Lease. However, in the event that, for any reason, the provisions of Article 10 or Article 11 regarding transfers of the Improvements or section 4.4 regarding occupancy are suspended or invalidated for any period of time, then during that time, the Ground Lease Fee shall be increased to an amount calculated by Lessor in its absolute and sole discretion to equal the fair rental value of the Leased Premises for use not restricted by the provisions of the suspended portions of the Lease, but initially an amount not to exceed \$_____. In such event, Lessor shall notify Lessee of the amount calculated in this way, and the Ground Lease Fee shall then be this amount.

In order to keep the Ground Lease Fee reasonably current, the amount specified in section 5.1 (and the maximum amount specified in the preceding paragraph) shall be recalculated by Lessor every 5th year during the term of the Lease. At such intervals, the amount shall be recalculated by Lessor through such reasonable process as Lessor shall choose, based upon the standards set forth in section 5.3 above. Lessor shall notify Lessee promptly upon recalculation of the new Ground Lease Fee amount, and if Lessee does not state objections to the recalculated amount within thirty (30) days after receipt of this notice, the Ground Lease Fee shall then be as stated by Lessor in the notice. If Lessee does state objections to the recalculated Ground Lease Fee, and Lessor and Lessee are then unable to agree on a recalculated Ground Lease Fee within fifteen (15) days of Lessor's receipt of Lessee's objection, the dispute shall be resolved according to the arbitration process set forth in Article 13 below, except that the arbitrators chosen by each party shall be ones with experience in the valuation of real estate. Upon the final determination of the recalculated Ground Lease Fee in accordance with the terms of this section, Lessor shall maintain in its file a notarized certification of the amount of such recalculated Ground Lease Fee and the process by which it was determined. Upon resolution by arbitration of the Ground Lease Fee, whether by mutual agreement or by arbitration, Lessee shall thereafter pay such amount.

ARTICLE 6: Taxes and Assessments

6.1 TAXES AND ASSESSMENTS: Lessee shall be responsible for timely payment of all taxes and governmental assessments that relate to the Improvements and the Leased Premises. Lessee shall also pay directly, when due, all other service bills, utility charges, or other governmental assessments charged against the Leased Premises.

6.2 TAXES ON LEASED PREMISES: In the event that the local taxing authority bills Lessor for the taxes on the Leased Premises, Lessor shall pass the responsibility for this expense to Lessee and Lessee shall promptly pay this bill.

6.3 LESSEE'S RIGHT TO CONTEST: Lessee shall have the right to contest the amount or validity of any taxes relating to the Improvements and Leased Premises as if it were the actual owner of the same. Lessor shall, upon written request by Lessee, join in any such proceedings if Lessee reasonably determines that it is necessary or convenient for Lessor to do so. All other costs and expenses of such proceedings shall be paid by Lessee.

6.4 PAYMENTS IN EVENT OF DELINQUENCY: In the event that Lessee fails to pay the taxes or other charges specified in section 6.1 above, Lessor may increase, but shall not be obligated to increase, Lessee's Ground Lease Fee in an amount that will offset the cost of any delinquent and current taxes or other charges relating to the Improvements and Leased Premises. Upon collecting any such amount, Lessor shall pay the amount collected to the taxing authority in a timely manner.

6.5 PROOF OF COMPLIANCE: Concurrently with the payment of any taxes, assessments, and charges required or permitted by the provisions of this Lease, each party shall furnish evidence satisfactory to the other documenting the payment. A photocopy of a receipt for such charges showing payment prior to the due date shall be the usual method of furnishing such evidence.

6.6 HOMEOWNER OR CONDOMINIUM ASSOCIATION ASSESSMENTS: Lessee shall also be responsible for payment of any and all assessments that are requirements of the homeowners association or condominium association to which Lessee belongs. In the event that the homeowners association or condominium association bills Lessor for these assessment, Lessor shall pass the responsibility for this expense to Lessee and Lessee shall promptly pay this bill.

ARTICLE 7: Improvements

7.1 OWNERSHIP: Subject to the other terms and provisions of this Lease, all buildings, structures, fixtures, modular units, and other Improvements purchased by Lessee or constructed or placed by Lessee on any part of the Leased Premises at any time during the term of this Lease (the "Improvements") shall be the sole and exclusive property of Lessee. Title to such Improvements shall be and remain vested in Lessee. However, Lessee's exercise of the rights of ownership is subject to the provisions of this Lease, including but not limited to provisions regarding the disposition of Improvements by Lessee and Lessor's option to purchase the Improvements. In addition, Lessee shall not sever or move the Improvements from the Land.

7.2 PURCHASE OF IMPROVEMENTS BY LESSEE: Lessee is simultaneously purchasing the Improvements now located on the Leased Premises, subject to the terms and

conditions of this Lease. Such ownership shall be described in a special warranty deed from Lessor.

7.3 CONSTRUCTION AND ALTERATION: Any construction in connection with an existing or new Improvement is subject to the following conditions: (a) all costs shall be borne and paid for by Lessee; (b) all construction shall be performed in a workerlike manner and shall comply with all applicable laws and regulations; (c) all construction shall be consistent with the permitted uses set forth in Article 4; (d) the exterior (including height) of such Improvements shall not be increased or expanded and new Improvements shall not be constructed without the prior written consent of Lessor; and (e) Lessee shall furnish to Lessor a copy of any plans and all building permits for such construction prior to commencing construction.

7.4 PROHIBITION OF LIENS: Other than the Permitted Mortgage, as hereinafter defined, and statutory liens for current real estate taxes, no lien of any type shall attach to Lessor's title to the Land or to Lessor's interest in the Leased Premises or to any other property owned by Lessor. Lessee shall not permit any statutory or similar lien to be filed against the Premises, the Improvements, or any interest of Lessor or Lessee that remains more than sixty (60) days after it has been filed. Lessee shall cause any such lien to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction, or as otherwise permitted by law. If Lessee fails to cause such lien to be discharged within the 60-day period, then, in addition to any other right or remedy, Lessor may, but shall not be obligated to, discharge the lien by paying the amount in question. Lessee may, at Lessee's expense, contest the validity of any such asserted lien, provided Lessee has furnished a bond in an amount sufficient to release the Leased Premises from such lien. Any amounts paid by Lessor to discharge such liens shall be deemed to be an additional Ground Lease Fee payable by Lessee upon demand.

7.5 MAINTENANCE AND SERVICES: Lessee shall, at Lessee's sole expense, maintain the Leased Premises and all Improvements as required by section 4.2 above and by the Permitted Mortgage. Lessor shall not be required to furnish any services or facilities, including but not limited to heat, electricity, air conditioning, or water, or to make any repairs to the Leased Premises or Improvements, and Lessee hereby assumes the sole responsibility for furnishing all services or facilities.

7.6 DISPOSITION OF IMPROVEMENTS UPON EXPIRATION OF LEASE TERM: Upon the expiration of the term of this Lease or its earlier termination pursuant to the terms of hereof, Lessee shall surrender the Improvements together with the Leased Premises to Lessor. Ownership of the Improvements shall thereupon revert to Lessor, provided, however, that Lessor shall promptly pay to Lessee as consideration for the Improvements an amount equal to Lessor's Purchase Option Price calculated in accordance with Article 10 below, as of the time of reversion of ownership, less the total amount of any unpaid Ground Lease Fee including any charges that may have been added to the Ground Lease Fee in accordance with this Lease.

ARTICLE 8: Financing

8.1 PERMITTED MORTGAGE: Lessee may mortgage the Leased Premises only with the written consent of Lessor, in its absolute and sole discretion. Not less than three (3) business days prior to the date on which Lessee (or a prospective Lessee who has contracted to purchase the Improvements) requests Lessor's consent to a mortgage to be effective, Lessee (or prospective Lessee) shall furnish to Lessor copies of every document to be executed in

connection with the transaction represented by such mortgage. To the extent that such documents are not yet available, Lessee shall obtain from the Permitted Mortgagee, as hereinafter defined, sample documents which are substantially similar to those which will be executed at closing. Lessor may choose to consent to any mortgage, and in so doing shall designate such mortgage as a "Permitted Mortgage." However, Lessor shall be required to consent to a mortgage only if (a) at the time such copies of documents are submitted and at the time proposed by Lessee (or prospective Lessee) for the execution of such documents, no default is then outstanding; and (b) the mortgage so submitted is a Standard Permitted Mortgage as defined in the attached exhibit entitled PERMITTED MORTGAGES, which is incorporated herein by this reference. Lessee shall pay to Lessor at Lessor's option, as additional Ground Lease Fee, all fees, costs, and expenses, including, without limitation, reasonable attorneys' fees, incurred by Lessor in connection with any Permitted Mortgage.

8.2 RIGHTS OF PERMITTED MORTGAGEE: Any holder of a Permitted Mortgage (each a "Permitted Mortgage") shall without requirement of consent by Lessor have the rights identified and defined in the attached exhibit PERMITTED MORTGAGES.

8.3 REMOVAL OF CERTAIN PROVISIONS PURSUANT TO FORECLOSURE: In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of the Lease, at the election of the Permitted Mortgagee the provisions of Article 10, sections 10.1 through 10.11 shall be deleted and thereupon shall be of no further force or effect as to only so much of the Security so foreclosed upon or transferred.

8.4 LESSOR'S RIGHT TO PROCEEDS IN EXCESS OF PURCHASE OPTION PRICE: The parties recognize that it would be contrary to the fundamental concept of this Lease and an incentive to abuse Lessee's authorization to encumber its leasehold interest with a Permitted Mortgage if Lessee could realize more than the Purchase Option Price as the result of any foreclosure of any mortgage. Accordingly, Lessee hereby irrevocably assigns to Lessor any and all net proceeds of sale of the Improvements remaining after payment of costs of foreclosure and satisfaction of the lien of any Permitted Mortgagee which would otherwise have been payable to Lessee, to the extent such net proceeds exceed the net proceeds that Lessee would have received had the property been sold for the Purchase Option Price established in Article 10 of this Lease, and authorizes and instructs the Permitted Mortgagee or any party conducting any sale to pay the amount of said excess proceeds directly to Lessor. In the event that, for any reason, such excess proceeds are paid to Lessee, Lessee hereby agrees to promptly pay the amount of such excess proceeds to Lessor, and, to the extent that Lessee fails to do within ten (10) days of demand by Lessor, Lessee irrevocably appoints Lessor as its irrevocable attorney-in-fact with full power and authority on behalf of Lessee to make payment to Lessor from any of Lessee's accounts.

8.5 AMENDMENTS SUBJECT TO APPROVAL BY PERMITTED MORTGAGEE: Any amendments to this Lease that would, in order to be effective, require the signature of Lessee, shall also be subject to the written approval of Permitted Mortgagee, which approval shall not be unreasonably withheld or delayed. The passage of thirty (30) days after submittal to Permitted Mortgagee of a proposed amendment without approval or disapproval by Permitted Mortgagee shall be deemed approval thereof.

8.6 SUBORDINATION OF PERMITTED MORTGAGE: Lessor and Lessee agree that, to the extent the Permitted Mortgagee requires that this Lease shall be subordinated to the Permitted Mortgage, each shall execute a Subordinate of Lease (the "Subordination Agreement") in a form acceptable to Lessor in its absolute and sole discretion. Lessee shall be responsible for any recording costs associated with recording the Subordination Agreement in the clerk's office of the circuit court of the city or county where the Leased Premises are located.

ARTICLE 9: Liability, Insurance, Damage and Destruction, Eminent Domain

9.1 LESSEE'S LIABILITY: Lessee assumes sole responsibility and liability to all persons and authorities related to its possession, occupancy, and use of the Leased Premises.

9.2 INDEMNIFICATION OF LESSOR: Lessee shall defend, indemnify, and hold Lessor harmless from and against any and all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Premises, including all reasonable costs, fees and expenses (including, without limitation, reasonable attorneys' fees) incurred by Lessor related to such liability or claims of liability. Lessee forever waives all claims against Lessor for such injury or damage. However, Lessor shall remain liable (and Lessee shall not indemnify and defend Lessor against such liability or waive such claims of liability) for injury or damage due to the grossly negligent acts or willful misconduct of Lessor or Lessor's agents or employees.

9.3 PAYMENT BY LESSOR: In the event Lessor shall be required to pay any sum that is Lessee's responsibility or liability, Lessee shall reimburse Lessor for such payment and for reasonable expenses caused thereby.

9.4 INSURANCE: Lessee shall, at Lessee's sole expense, keep all Improvements continuously insured against loss or damage by fire and the extended coverage hazards for the full replacement value of such Improvements.

Lessee shall, at Lessee's sole expense, maintain continuously in effect liability insurance covering the Leased Premises and Improvements in the amounts of not less than _____ dollars (\$_____) for injury to or death of any one person; and _____ dollars (\$_____) for injury to or death of any number of persons in one occurrence; and _____ dollars (\$_____) for property damage. The dollar amounts of this coverage shall be adjusted at two-year intervals during the term of this Lease, beginning on the date this Lease is signed, or upon Lessor's demand given not more often than annually, upon 30 days' notice to Lessee. This adjustment shall be equal to the percentage of change (positive or negative), over the period in question, of the Consumer Price Index for urban wage earners and clerical workers for the urban area in which the Leased Premises are located, or, if none, for urban areas the size of Charlottesville or such other index as reasonably measures adjustments in coverage amounts for the applicable type of insurance. Such index is maintained by the Office of Prices and Living Conditions of the Bureau of Labor Statistics, of the U.S. Department of Labor. Such insurance shall specifically insure Lessee against all liability assumed under this Lease, as well as all liability imposed by law, and shall also insure Lessor as an additional insured so as to create the same liability on the part of insurer as though separate policies had been written for Lessor and Lessee.

Lessee shall provide Lessor with copies of all policies and renewals of policies. All policies shall also contain endorsements providing that they shall not be cancelled, reduced in amount or coverage or otherwise modified by the insurance carrier involved without at least thirty (30) days' prior written notice to Lessor. Lessor shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance.

9.5 DAMAGE OR DESTRUCTION: Except as provided below, in the event of fire or other damage to the Improvements, Lessee shall take all steps necessary to ensure the repair of such damage and the restoration of the Improvements to their condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. Lessee shall also promptly take all steps necessary to ensure that the Leased Premises are safe and that the damaged Improvements do not constitute a danger to persons or property.

If Lessee, using reasonable judgment and relying on professional estimates, determines either (a) that full repair and restoration is physically impossible, or (b) that the available insurance proceeds will pay for less than eighty percent (80%) of the cost of repair and restoration (provided Lessee has fulfilled all the hazard insurance requirements set forth in section 9.4 above), then Lessee may terminate this Lease by written notice to Lessor given not later than sixty (60) days after the event that caused the damage. However, such termination shall not be effective until forty-five (45) days after the date upon which the notice is received by Lessor. During this 45-day period Lessor may seek an adjustment from the insurer so as to increase the available insurance proceeds to an amount covering at least 80 percent of the cost of repair and restoration. If successful in securing such adjustment, Lessor may render Lessee's termination notice null and void by written notice to Lessee within such 45-day period. If Lessor fails to nullify the termination notice in this way, then this Lease shall terminate at the expiration of the 45-day period, and any insurance proceeds payable to Lessee on account of such damage shall be paid as provided below.

The insurance proceeds shall be paid first to cover any expenses of collecting the proceeds. Remaining proceeds shall be paid to Lessee (or its Permitted Mortgagee to the extent required by the Permitted Mortgage) up to the then applicable Lessor's Purchase Option Price (as of immediately prior to the damage) calculated according to the provisions of Article 10 below. The balance of such proceeds, if any, shall be paid to Lessor.

9.6 EMINENT DOMAIN AND PUBLIC DEDICATION: In the event of a taking of the Leased Premises, either in its entirety or to such extent that the Improvements are lost or damaged beyond repair, by reason of eminent domain or other action of public authority prior to the expiration of this Lease, the Lease shall terminate as of the date Lessee is required to give up possession of the Leased Premises or Improvements, and the entire amount of any award(s) paid shall be allocated in the way described in section 9.5 above for insurance proceeds.

In the event of a taking of a portion of the Leased Premises that does not result in damage to the Improvements or substantial reduction in the usefulness or desirability of the Improvements for residential purposes, then any monetary compensation for such taking shall be allocated entirely to Lessor.

In the event of a taking of a portion of the Leased Premises that results in damage to the Improvements only to such an extent that the Improvements can reasonably be restored to a residential use consistent with this Lease, Lessor may in its discretion allocate some or all the

monetary compensation to enable Lessee to accomplish such a restoration. Any balance remaining after or in the absence of such allocation shall be allocated as provided above for a taking of the entire Leased Premises.

Any and all proceedings brought by a party in connection with any damages as a result of any taking referred to in this section shall be conducted at the sole expense of such party. If any provision of law requires that such proceedings be brought by or in the name of any owner or lessee of the premises, such party shall join in such proceedings or permit the same to be brought in its name. Each party agrees to do all acts and to execute all documents that may be required to enable the other to maintain such proceedings. If the party required to join in the proceedings incurs any cost or expense in doing so, such party shall be entitled to reasonable reimbursement and this entitlement shall constitute a first charge against any award.

9.7 REASSESSMENT OF RENTAL VALUE: In the event of any taking that reduces the size of the Leased Premises but does not result in the termination of the Lease, Lessor shall reassess the fair rental value of the remaining Premises and shall adjust the Ground Lease Fee if necessary, as determined by Lessor, in its absolute and sole discretion, to ensure that the monthly Ground Lease Fee does not exceed the monthly fair rental value of the adjusted Leased Premises.

9.8 RELOCATION OF LESSEE: In the event of a termination of this Lease as a result of damage, destruction or taking, Lessor shall take reasonable steps to grant Lessee a leasehold interest, similar to the interest created by this Lease, in another tract that it owns, if such other tract can reasonably be made available. In accepting such a leasehold interest, Lessee agrees to contribute any proceeds or award received by Lessee to purchase or develop Improvements on such tract. Lessor's failure to supply such a leasehold interest shall not give rise to any cause of action by Lessee against Lessor.

ARTICLE 10: Transfers, Sale, or Disposition of Improvements and Leased Premises

10.1 INTENT: It is the understanding of the parties that the terms of this Lease, and in particular of this Article 10, are intended to preserve the affordability of the Improvements for lower-income households and expand access to homeownership opportunities for such households.

10.2 TRANSFERS TO INCOME-QUALIFIED PERSONS: Lessee may transfer its interest in the Leased Premises or the Improvements only to Lessor or an Income-qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All such transfers shall be subject to Lessor's review and approval, in its absolute and sole discretion, and purchase option rights set forth in this Article 10. Any purported transfer done without following the procedures set forth below, except in the case of a transfer to a Permitted Mortgagee in lieu of foreclosure, shall be null and void.

"Income-qualified Person" shall mean a person or group of persons whose household income does not exceed ____ percent (____%) of the median household income for the applicable Standard Metropolitan Statistical Area or County as calculated and adjusted for household size from time to time by the U.S. Department of Housing and Urban Development (HUD) or any successor. *[This percent will be determined based on the original Lessee's income (as a percent of median income) at initial signing, or as a percent of Lessee's income plus 5%, to be determined by Lessor at time of signing.]*

10.3 TRANSFER TO LESSEE'S HEIRS: Upon death of Lessee and receipt of notice from the executor of the decedent Lessee's estate given within ninety (90) days of the death of Lessee (or the last surviving co-owner of the Improvements) Lessor shall, unless for good cause shown, consent to a transfer of the Improvements and an assumption of this Lease to and by one or more of the possible heirs of Lessee listed below as "a," "b," or "c," provided that a Letter of Stipulation and a Letter of Acknowledgment of legal counsel (similar to those described in Article 1 of this Lease), setting forth the heirs' review, understanding and acceptance of the terms of the Lease, are submitted to Lessor to be attached to the Lease when it is assigned to the heirs, which assignment shall be consummated by a separate assignment and assumption of the Lease prepared by Lessor to be executed by all parties thereto.

- a. the spouse of Lessee; or
- b. the child or children of Lessee; or
- c. member(s) of Lessee's household who have resided upon the Premises for at least one year immediately prior to Lessee's death, as determined by Lessor in its absolute and sole discretion.

If such designated heirs are Income-Qualified Persons, they may elect to assume the Lease as contemplated above, or they may elect to enter into a new lease with Lessor which new Lease shall be substantially the same as this Lease in the rights, benefits and obligations assigned to Lessee and Lessor. In the event that such designated heir is not an Income-Qualified Person, they shall receive an assignment of this Lease from Lessor.

Any other heirs, legatees or devisees of Lessee must, in addition to submitting Letters of Stipulation and Acknowledgment as provided above, demonstrate to Lessor's reasonable satisfaction that they are Income-qualified Persons as defined above, or, if unable to do so, shall not be entitled to possession of the Leased Premises but must transfer the Leased Premises in accordance with the provisions of this Article 10. Such Income-Qualified Persons may elect to assume the Lease as above contemplated, or they may elect to enter into a new lease with Lessor in substantially the same form as the lease then being used by Lessor with similarly situated lessees.

10.4 LESSEE'S NOTICE OF INTENT TO SELL: In the event that Lessee wishes to sell the Improvements, Lessee shall notify Lessor, in writing, of such wish (the "Intent-To-Sell Notice"). Such Notice shall include a statement as to whether Lessee wishes to recommend a prospective buyer as of the date of the Notice.

10.5 APPRAISAL: No later than ten (10) days after Lessor's receipt of Lessee's Intent-To-Sell Notice, Lessor shall commission a market valuation of the Leased Premises and the Improvements (the "Appraisal") to be performed by a licensed appraiser acceptable to Lessor in its absolute and sole discretion. Lessor shall commission and pay the cost of such Appraisal. The Appraisal shall be conducted by analysis and comparison of comparable properties as though title to Land and Improvements were held in fee simple absolute, disregarding the restrictions of this Lease on the use of the Land and the transfer of the Improvements. The Appraisal shall state the values contributed by the Land and by the Improvements as separate amounts. Copies of the Appraisal are to be provided to both Lessor and Lessee.

10.6 LESSOR'S PURCHASE OPTION. Upon receipt of an Intent to Sell Notice from Lessee, Lessor shall have the option to purchase the Improvements (the "Purchase Option") at the Purchase Option Price calculated as set forth below.

The Purchase Option is designed to further the purpose of preserving the affordability of the Improvements for succeeding Income-qualified Persons while taking fair account of the investment by Lessee.

If Lessor elects to purchase the Improvements, Lessor shall exercise the Purchase Option by notifying Lessee, in writing, of such election (the "Notice of Exercise of Option") within forty-five (45) days of the receipt of the Appraisal, or the Option shall automatically expire. Having given such notice, Lessor may either proceed to exercise the Purchase Option directly by purchasing the Improvements, or may assign the Purchase Option to any person of its choosing in its absolute and sole discretion.

The purchase (by Lessor or Lessor's assignee) shall be completed within sixty (60) days of Lessor's Notice of Exercise of Option (the "Closing Period"). To the extent that Lessor or Lessor's assignee fails to close pursuant to such timeline, and in the event that neither Lessor nor Lessor's assignee has closed on the purchase within thirty (30) days following delivery of written notice by Lessee of Lessor's or Lessor's Assignee's failure to close during the Closing Period, or Lessee may sell the Improvements as provided in section 10.7 below. The time permitted for the completion of the purchase may be extended by mutual agreement of Lessor and Lessee.

Lessee may recommend to Lessor a prospective buyer who is an Income-Qualified Person and is prepared to submit Letters of Stipulation and Acknowledgment indicating informed acceptance of the terms of this Lease, provided, however, Lessor shall have no obligation to arrange for the assignment of the Purchase Option to such person.

10.7 IF PURCHASE OPTION IS NOT EXERCISED OR PURCHASE OPTION EXPIRES: If the Purchase Option has not been exercised or if Purchase Option has expired or if Lessor has failed to complete the purchase pursuant to section 10.6 above, Lessee may sell the Improvements to any Income-Qualified Person, for not more than the then applicable Purchase Option Price. If, six months after the expiration of the Purchase Option or the expiration of said 60-day period, the Improvements still have not been sold, Lessee may sell the Improvements for not more than the then applicable Purchase Option Price to any party whose household income does not exceed 120% of the median household income for the applicable Standard Metropolitan Statistical Area or County as calculated and adjusted for household size from time to time by the U.S. Department of Housing and Urban Development (HUD) or any successor.

10.8 LESSOR'S POWER OF ATTORNEY TO CONDUCT SALE: In the event Lessor does not exercise its option and complete the purchase of the Improvements as set forth above, and Lessee (a) is not then residing in the Improvements and (b) continues to hold the Improvements out for sale but is unable to locate a buyer and close on the sale of the Improvement within one (1) year of the giving of the Intent to Sell Notice, Lessee does hereby irrevocably appoint Lessor its attorney-in-fact to seek a buyer, negotiate a reasonable price that furthers the goals set forth in this Lease, sell the property, and distribute proceeds of sale, minus Lessor's costs of sale and reletting and any other sums owed Lessor by Lessee.

10.9 PURCHASE OPTION PRICE: In no event may the Improvements be sold for a price that exceeds the Purchase Option Price. The Purchase Option Price shall be the lesser of (a) the value of the Improvements as determined by the Appraisal commissioned and conducted as provided in 10.5 above or (b) the price calculated in accordance with the formula described below (the "Formula Price").

10.10 CALCULATION OF THE FORMULA PRICE: The Formula Price shall be equal to Lessee's Purchase Price, as stated below, plus 25% of the increase in market value of the Land and Improvements, if any, calculated in the way described below.

- *Lessee's Purchase Price*: The parties agree that Lessee's Purchase Price for the Improvements existing on the Leased Premises as of the commencement of the term of this Lease is \$_____.
- *Initial Appraised Value*: The parties agree that the appraised value of the Land and Improvements at the time of Lessee's purchase (the Initial Appraised Value) is \$_____, as documented by the appraiser's report attached to this Lease as the exhibit INITIAL APPRAISAL.
- *Increase in Market Value*: The increase in market value of the Land and Improvements equals the appraised value of the Improvements at time of sale, calculated according to section 10.5 above, minus the Initial Appraised Value.
- *Lessee's Share of Increase in Market Value*: Lessee's share of the increase in the market value of the Land and Improvements equals twenty-five percent (25%) of the increase in market value as calculated above.
- *Summary of Formula Price*: The Formula Price equals Lessee's Purchase Price plus Lessee's Share of Increase in Market Value.

10.11 PURCHASER TO SIGN NEW LEASE: Any person who purchases the Improvements in accordance with the provisions of this Article 10 shall, as a condition to such purchase, be required to enter into a new lease with Lessor in substantially the same form as the lease then being used by Lessor with similarly situated lessees.

ARTICLE 11: Assignment and Sublease

Except as otherwise provided in Article 8 (including the exhibit entitled PERMITTED MORTGAGES) and Article 10, Lessee shall not assign, sublease, sell, or otherwise convey any of Lessee's rights under this Lease without the prior written consent of Lessor. Lessee agrees that Lessor shall have broad and full discretion to withhold such consent in order to further the mutual purposes and goals set forth in this Lease. If permission is granted, any assignment or sublease shall be subject to the following conditions. Any such assignment or sublease shall be subject to all the terms of this Lease.

In the case of a sublease, the rental or occupancy fee charged the sublessee shall not be more than that amount charged Lessee by Lessor, plus an amount approved by Lessor to cover costs to Lessee for the Improvements.

In the case of an assignment, the total consideration for such assignment and the related sale or transfer of the Improvements shall not exceed the Purchase Option Price as calculated in accordance with Article 10 above.

ARTICLE 12: Default

12.1 **MONETARY DEFAULT BY LESSEE:** It shall be an event of default if Lessee fails to pay the Ground Lease Fee or any other fees, charges or payments (including late fees) required by the terms of this Lease and such failure is not cured by Lessee or a Permitted Mortgagee within fifteen (15) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee. However, with respect to any Ground Lease Fee, if Lessee shall make a good faith partial payment of at least two thirds (2/3) of the amount owed during such initial 15-day period, then such period shall be extended one additional 15-day period for payment of the balance of the Ground Lease Fee by Lessee.

12.2 **NONMONETARY DEFAULT BY LESSEE:** Unless otherwise set forth herein, it shall be an event of default if Lessee fails to abide by any other material term or condition in this Lease, and such failure is not cured by Lessee or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee. However, in the case where Lessee or Permitted Mortgagee has commenced to cure such default within such 30-day period and is continuing such cure with all due diligence but cannot by the exercise of due diligence cure such default within such period, such period shall be extended for such additional period as may be reasonably required under the circumstances to complete such cure.

12.3 **DEFAULT BY LESSEE RESULTING FROM JUDICIAL PROCESS:** It shall be an event of default if the estate hereby created is taken on execution or by other process of law, or if Lessee is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Lessee for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of Lessee's property by a court of competent jurisdiction, or if a petition is filed for the reorganization of Lessee under any provisions of the Bankruptcy Act now or hereafter enacted, or if Lessee files a petition for such reorganization, or for arrangements under any provision of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for payment of debts.

12.4 **TERMINATION:** In the case of any of the events of default described above, and provided Lessee has not cured the default during any applicable cure period, in addition to any other remedies available to Lessor at law or in equity, including the assessment of interest on any late payments at the maximum rate of interest allowable under applicable law (which amount shall be considered part of the outstanding Ground Lease Fee), Lessor may terminate this Lease and initiate summary proceedings against Lessee. Pursuant to such proceedings, without demand or notice, Lessor may enter any part of the Leased Premises and repossess the entire Leased Premises, and expel Lessee and those claiming rights through Lessee and remove their effects without being guilty of any manner of trespass, and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant. If this Lease is terminated by Lessor, or if Lessor reenters the Leased Premises pursuant to an Event of Default, Lessee agrees to pay and be liable for any unpaid Ground Lease Fee, damages which may be due or sustained prior to or in connection with such termination or reentry, and all reasonable costs, fees and expenses (including, without limitation, reasonable attorneys' fees) incurred by Lessor in pursuit of its remedies under this Lease.

If Lessor elects to terminate the Lease, then the Permitted Mortgagee shall have the right (subject to Article 8 above) to postpone and extend the specified date for the termination of the Lease for a period sufficient to enable the Permitted Mortgagee or its designee to acquire Lessee's interest in the Leased Premises by foreclosure of its mortgage or otherwise.

12.5 CROSS-DEFAULT: Any default by Lessee under the terms of the Permitted Mortgage shall be a default under the terms of this Lease.

12.6 DEFAULT BY LESSOR: Lessor shall in no event be in default in the performance of any of its obligations under the Lease unless and until Lessor has failed to perform such obligations within sixty (60) days, or such additional time as is reasonably required to correct any default, after notice by Lessee to Lessor properly specifying Lessor's failure to perform any such obligation.

ARTICLE 13: Arbitration

13.1 ARBITRATION PROCESS: Any controversy which shall arise between Lessor and Lessee regarding the rights, duties, or liabilities hereunder of either party shall be settled by arbitration in accordance with the Virginia Uniform Arbitration Act (Va. Code § 8.01-581.01, *et seq.*). Such arbitration shall be before one disinterested arbitrator if one can be agreed upon, otherwise before three disinterested arbitrators, one named by Lessor, one by Lessee, and one by the two thus chosen. Each party agrees to name their arbitrator within ten (10) days of the request for arbitration and each party agrees to submit to arbitration within fifteen (15) days of the selection of the arbitrators.

The arbitrator or arbitrators shall determine the controversy in accordance with the laws of the Commonwealth of Virginia as applied to the facts found by him or them. This agreement to arbitrate shall be specifically enforceable under the laws of the Commonwealth of Virginia. The award rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with Section 8.01-581.012 of the Code of Virginia (1950), as amended.

The venue for arbitration shall be the City of Charlottesville, Virginia.

ARTICLE 14: General Provisions

14.1 NOTICES: Whenever this Lease requires either party to give notice to the other, the notice shall be given in writing and delivered in person or mailed, by certified or registered mail, return receipt requested, to the party at the address set forth below, or such other address designated by like written notice:

If to Lessor: _____

with a copy to: _____ (LESSOR's attorney)

If to Lessee: _____

All notices, demands and requests shall be effective upon being deposited in the United States Mail or, in the case of personal delivery, upon actual receipt.

14.2 NO BROKERAGE: Lessee warrants that it has not dealt with any broker other than _____ in connection with the consummation of this Lease, and in the event any claim is made against Lessor relative to dealings with brokers other than _____, Lessee shall defend the claim against Lessor with counsel of Lessor's selection and save harmless and indemnify Lessor on account of loss, cost or damage which may arise by reason of any such claim.

14.3 SEVERABILITY AND DURATION OF LEASE: If any part of this Lease is unenforceable or invalid, such material shall be deleted from this Lease and shall not affect the validity of any other part of this Lease or give rise to any cause of action of Lessee or Lessor against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law. It is the intention of the parties that their respective options to purchase and all other rights under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and such options and other rights shall be considered to be coupled with an interest. In the event any such option or right shall be construed to be subject to any rule of law limiting the duration of such option or right, the time period for the exercising of such option or right shall be construed to expire twenty (20) years after the death of the last survivor of the following persons: _____ [*List an identifiable group of small children, e.g., the children living as of the date of this Lease of any of the directors or employees of a specified corporation.*]

14.4 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article 10 of this Lease shall, for any reason, become unenforceable, Lessor shall nevertheless have a right of first refusal to purchase the Improvements at the highest documented bona fide purchase price offer made to Lessee. Such right shall be as specified in the exhibit FIRST REFUSAL. Any sale or transfer contrary to this section, when applicable, shall be null and void.

14.5 WAIVER: The waiver by Lessor at any given time of any term or condition of this Lease, or the failure of Lessor to take action with respect to any breach of any such term or condition, shall not be deemed to be a waiver of such term or condition with regard to any subsequent breach of such term or condition, or of any other term or condition of the Lease. Lessor may grant waivers in the terms of this Lease, but such waivers must be in writing and signed by Lessor before being effective.

The subsequent acceptance of Ground Lease Fee payments by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term or condition of this Lease, other than the failure of Lessee to pay the particular Ground Lease Fee so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such Ground Lease Fee payment.

14.6 LESSOR'S RIGHT TO PROSECUTE OR DEFEND: Lessor shall have the right, but shall be under no obligation, to prosecute or defend, in its own or Lessee's name, any actions or proceedings appropriate to the protection of its title to, and Lessee's interest in, the Leased Premises. Whenever requested by Lessor, Lessee shall give Lessor all reasonable aid in any such action or proceeding.

14.7 CONSTRUCTION: Whenever in this Lease a pronoun is used it shall be construed to represent either the singular or the plural, masculine or feminine, as the case shall demand.

14.8 CAPTIONS AND TABLE OF CONTENTS: The captions and table of contents appearing in this Lease are for convenience only, and are not a part of this Lease and do not in any way limit or amplify the terms or conditions of this Lease.

14.9 PARTIES BOUND: This Lease sets forth the entire agreement between Lessor and Lessee with respect to the leasing of the Land; it is binding upon and inures to the benefit of these parties and, in accordance with the provisions of this Lease, their respective successors in interest. This Lease may be altered or amended only by written notice executed by Lessor and Lessee or their legal representatives or, in accordance with the provisions of this Lease, their successors in interest.

14.10 GOVERNING LAW: This Lease shall be interpreted in accordance with and governed by the laws of the Commonwealth of Virginia. The language in all parts of this Lease shall be, in all cases, construed according to its fair meaning and not strictly for or against Lessor or Lessee.

14.11 RECORDING: The parties agree, as an alternative to the recordation of this Lease, to execute a so-called Notice of Lease or Short Form Lease in form recordable and complying with applicable law and reasonably satisfactory to Lessor's attorneys. In no event shall such document set forth the rent or other charges payable by Lessee under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease, and is not intended to vary the terms and conditions of this Lease. Lessor and Lessee shall share equally in the cost of recording any such instrument.

**[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.
SIGNATURES FOLLOW ON THE NEXT PAGE.]**

WITNESS the following signatures and seals:

LESSEE:

LESSOR:

THOMAS JEFFERSON COMMUNITY LAND TRUST

By: _____

Name: _____

Its: _____

COMMONWEALTH OF VIRGINIA

CITY/COUNTY OF _____ to-wit:

The foregoing instrument was acknowledged before me this _____ day of _____ 200__, by _____.

My commission expires _____

_____(SEAL)
Notary Public Registration # _____

COMMONWEALTH OF VIRGINIA

CITY/COUNTY OF _____ to-wit:

The foregoing instrument was acknowledged before me this _____ day of _____ 200__, by _____, President of Thomas Jefferson Community Land Trust, a Virginia nonstock corporation.

My commission expires _____

_____(SEAL)
Notary Public Registration # _____

Exhibit: LETTERS OF STIPULATION AND ACKNOWLEDGMENT

Letter of Stipulation

To: _____ Community Land Trust (“the LESSOR”)

Date: _____

This letter is given to the LESSOR to become an exhibit to a Lease between the LESSOR and me. I will be leasing a parcel of land from the LESSOR and will be buying the home that sits on that parcel of land. I will therefore become what is described here as a “LESSOR homeowner.”

My legal counsel, _____, has explained to me the terms and conditions of the Lease and other legal documents that are part of this transaction. I understand the way these terms and conditions will affect my rights as a LESSOR homeowner, now and in the future.

In particular I understand and agree with the following points.

- One of the goals of the LESSOR is to keep LESSOR homes affordable for lower-income households from one LESSOR homeowner to the next. I support this goal as a LESSOR homeowner and as a member of the LESSOR.
- The terms and conditions of my Lease will keep my home affordable for future “income-qualified persons” (as defined in the lease). If and when I want to sell my home, the lease requires that I sell it either to the LESSOR or to another income-qualified person. The terms and conditions of the lease also limit the price for which I can sell the home, in order to keep it affordable for such income-qualified persons.
- It is also a goal of the LESSOR to promote resident ownership of LESSOR homes. For this reason, my Lease requires that if I and my family move out of our home permanently, we must sell it. We cannot continue to own it as absentee owners.
- I understand that I can leave my home to my child or children or other members of my household and that, after my death, they can own the home for as long as they want to live in it and abide by the terms of the Lease, or they can sell it on the terms permitted by the Lease.
- As a LESSOR homeowner and a member of the LESSOR, it is my desire to see the terms of the Lease and related documents honored. I consider these terms fair to me and others.

Sincerely,

Letter of Acknowledgment

I, _____, have been independently employed by _____ (hereinafter the “Client”) who intends to purchase a house and other improvements on land to be leased from Community Land Trust (the “LESSOR”). The house and land are located at _____.

In connection with the contemplated purchase of the house and other improvements and leasing of the land, I reviewed with the Client the following documents relating to the transaction:

- a. this Letter of Acknowledgment and a Letter of Stipulation from the Client
- b. a proposed Deed conveying the house and other improvements to the Client
- c. a proposed Ground Lease conveying the “Leased Premises” to the Client
- d. other written materials provided by the LESSOR.

The Client has received full and complete information and advice regarding this conveyance and the foregoing documents. My advice and review has been given to reasonably inform the Client of the present and foreseeable risks and legal consequences of the contemplated transaction.

The Client is entering the aforesaid transaction in reliance on her own judgment and upon her investigation of the facts. The full and complete advice and information provided by me was an integral element of such investigation.

Name _____ Date _____

Title _____

Firm/Address _____

Exhibit: PERMITTED MORTGAGES

The provisions set forth in this Exhibit shall be understood to be applicable to Article 8 of the Lease to which the Exhibit is attached and in which the Exhibit is referenced. All terminology used in this Exhibit shall have the meaning assigned to it in the Lease.

A. STANDARD PERMITTED MORTGAGE: A “Standard Permitted Mortgage,” as identified in section 8.1 of the Lease to which this Exhibit is attached, shall be a mortgage that meets the following requirements.

1. Such Mortgage shall run in favor of either (a) a so-called institutional lender such as, but not limited to, a federal, state, or local housing finance agency, a bank (including savings and loan association or insured credit union), an insurance company, a pension and/or profit-sharing fund or trust, or any combination of the foregoing, the policies and procedures of which institutional lender are subject to direct governmental supervision, or (b) a “community development financial institution” as certified by the U.S. Department of the Treasury, or similar nonprofit lender to housing projects for low- and moderate-income persons.
2. Such Mortgage shall be a first lien on all or any of the Improvements and Lessee’s interest in the Leased Premises (the “Security”).
3. Such Mortgage and related documentation shall provide, among other things, that in the event of a default in any of the mortgagor’s obligations thereunder, the holder of such Mortgage shall notify Lessor of such fact and Lessor shall have the right (but shall not have the obligation) within 120 days after its receipt of such notice, to cure such default in the mortgagor’s name and on mortgagor’s behalf, provided that current payments due the holder during such 120-day period (or such lesser time period as may have been required to cure such default) are made to the holder, and shall further provide that said holder shall not have the right, unless such default shall not have been cured within such time, to accelerate the note secured by such Mortgage or to commence to foreclose under the Mortgage on account of such default.
4. Such Mortgage and related documentation shall provide, among other things, that if after such cure period the holder intends to accelerate the note secured by such Mortgage or initiate foreclosure proceedings under the Mortgage, in accordance with the provisions of this Lease, the holder shall first notify Lessor of its intention to do so and Lessor shall have the right, but not the obligation, upon notifying the holder within thirty (30) days of receipt of said notice from said holder, to pay off the indebtedness secured by such Mortgage and to acquire such Mortgage.

5. Such Mortgage and related documentation shall provide, among other things, that, in the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure, upon acquisition of title to the Improvements and Lessee's interest in the Leased Premises by the Permitted Mortgagee, the Permitted Mortgagee shall give Lessor written notice of such acquisition and Lessor shall have an option to purchase the Improvements and acquire Lessee's interest in the Leased Premises from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage; provided, however, that Lessor gives written notice to the Permitted Mortgagee of Lessor's intent to purchase the Improvements and acquire Lessee's interest in the Leased Premises within thirty (30) days following Lessor's receipt of the Permitted Mortgagee's notice of such acquisition of the Improvements and Lessee's interest; further provided that Lessor shall complete the purchase of the Improvements and acquisition of Lessee's interest in the Leased Premises within sixty (60) days of having given written notice of its intent to purchase; and provided that, if Lessor does not complete the purchase within such period, the Permitted Mortgagee shall be free to sell the Improvements and transfer Lessee's interest in the Leased Premises to another person;
6. Such Mortgage and related documentation shall not contain any provisions other than provisions generally contained in mortgages used for similar transactions in the _____ area by institutional mortgagees.
7. Such Mortgage and related documentation shall not contain any provisions which could be construed as rendering Lessor or any subsequent holder of Lessor's interest in and to this Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt evidenced by such note and such Mortgage or any part thereof.
8. Such Mortgage and related documentation shall contain provisions to the effect that the holder of such Mortgage shall not look to Lessor or Lessor's interest in the Leased Premises, but will look solely to Lessee, Lessee's interest in the Leased Premises, the Improvements, or such other buildings and improvements which may from time to time exist on the Leased Premises, for the payment of the debt secured thereby or any part thereof (It is the intention of the parties hereto that Lessor's consent to such Mortgage shall be without any liability on the part of Lessor for any deficiency judgment).
9. Such Mortgage and related documentation shall provide that in the event any part of the Security is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the holder of the Mortgage in accordance with the provisions of Article 9 hereof.
10. Such Mortgage and related documentation shall contain nothing that obligates Lessor to execute an assignment of the Ground Lease Fee or other rent payable by Lessee under the terms of this Lease.

B. RIGHTS OF PERMITTED MORTGAGEE: The rights of a holder of a Permitted Mortgage (“Permitted Mortgagee”) as referenced under section 8.2 of the Lease to which this Exhibit is attached shall be as set forth below.

1. Permitted Mortgagee shall without requirement of consent by Lessor have the right, but not the obligation, to:
 - a. cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance by a Permitted Mortgagee being effective as if it had been undertaken and performed by Lessee;
 - b. acquire and convey, assign, transfer, and exercise any right, remedy or privilege granted to Lessee by this Lease or otherwise by law, subject to the provisions, if any, in said Permitted Mortgage, which may limit any exercise of any such right, remedy or privilege; and
 - c. rely upon and enforce any provisions of the Lease to the extent that such provisions are for the benefit of Permitted Mortgagee.
2. Permitted Mortgagee shall not, as a condition to the exercise of its rights under the Lease, be required to assume personal liability for the payment and performance of the obligations of Lessee under the Lease. Any such payment or performance or other act by Permitted Mortgagee under the Lease shall not be construed as an agreement by Permitted Mortgagee to assume such personal liability except to the extent Permitted Mortgagee actually takes possession of the Security and the premises. In the event Permitted Mortgagee does take possession of the Security and thereupon transfers the Security, any such transferee shall be required to enter into a written agreement assuming such personal liability and upon any such assumption the Permitted Mortgagee shall automatically be released from personal liability under the Lease.
3. In the event that title to the estates of both Lessor and Lessee shall be acquired at any time by the same person or persons, no merger of these estates shall occur without the prior written declaration of merger by Permitted Mortgagee, so long as Permitted Mortgagee owns any interest in the Security or in a Permitted Mortgage. In the event that the estate of Lessor is owned at any time by Lessee (regardless of a merger), or by any person in which Lessee has a direct or indirect interest, Permitted Mortgagee shall not be obligated to cure any default of Lessee under the Lease as condition to the forbearance by Lessor in the exercise of Lessor’s remedies as provided in the Lease.
4. If the Lease is terminated for any reason, or in the event of the rejection or disaffirmance of the Lease pursuant to bankruptcy law or other law affecting creditors’ rights, Lessor shall enter into a new lease of the Leased Premises with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to Lessor’s approval, which approval shall not be unreasonably withheld), not more than thirty (30) days after the request of the Permitted Mortgagee. Such lease shall be for the remainder of the term of the Lease, effective as of the date of such termination, rejection, or disaffirmance, and upon all the

terms and provisions contained in the Lease. However, the Permitted Mortgagee shall make a written request to Lessor for such new lease within sixty (60) days after the effective date of such termination, rejection, or disaffirmance, as the case may be. Such written request shall be accompanied by a copy of such new lease, duly executed and acknowledged by the Permitted Mortgagee or the party designated by the Permitted Mortgagee to be Lessee thereunder, and the Permitted Mortgagee shall have cured all defaults under the Lease which can be cured by the payment of money. Any new lease made pursuant to this section shall have the same priority with respect to other interests in the Premises as the Lease. The provisions of this section shall survive the termination, rejection, or disaffirmance of the Lease and shall continue in full effect thereafter to the same extent as if this section were independent and an independent contract made by Lessor, Lessee, and the Permitted Mortgagee.

5. Lessor shall have no right to terminate the Lease during such time as the Permitted Mortgagee has commenced foreclosure in accordance with the provisions of the Lease and is diligently pursuing the same.
6. In the event that Lessor sends a notice of default under the Lease to Lessee, Lessor shall also send a notice of Lessee's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in section 14.2 of the Lease to the Permitted Mortgagee at the address that has been given by the Permitted Mortgagee to Lessor by a written notice to Lessor sent in the manner set forth in said section 14.2 of the Lease.

Exhibit: FIRST REFUSAL

Whenever any party under the Ground Lease shall have a right of first refusal as to certain property, the following procedures shall apply. If the owner of the property offering it for sale (“Offering Party”) shall within the term of the Ground Lease receive a bona fide, third-party offer to purchase the property that such Offering Party is willing to accept, the holder of the right of first refusal (the “Holder”) shall have the following rights:

- a. Offering Party shall give written notice of such offer (“the Notice of Offer”) to Holder setting forth (a) the name and address of the prospective purchaser of the property, (b) the purchase price offered by the prospective purchaser and (c) all other terms and conditions of the sale. Holder shall have a period of forty-five (45) days after the receipt of the Notice of Offer (“the Election Period”) within which to exercise the right of first refusal by giving notice of intent to purchase the property (“the Notice of Intent to Purchase”) for the same price and on the same terms and conditions set forth in the Notice of Offer. Such Notice of Intent to Purchase shall be given in writing to the Offering Party within the Election Period.
- b. If Holder exercises the right to purchase the property, such purchase shall be completed within sixty (60) days after the Notice of Intent to Purchase is given by Holder (or if the Notice of Offer shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice of Offer, including payment of the purchase price provided therein.
- c. Should Holder fail to exercise the right of first refusal within the Election Period, then the Offering Party shall have the right (subject to any other applicable restrictions in the Ground Lease) to go forward with the sale which the Offering Party desires to accept, and to sell the property within one (1) year following the expiration of the Election Period on terms and conditions which are not materially more favorable to the purchaser than those set forth in the Notice. If the sale is not consummated within such one-year period, the Offering Party’s right so to sell shall end, and all the foregoing provisions of this section shall be applied again to any future offer, all as aforesaid. If a sale is consummated within such one-year period, the purchaser shall purchase subject to a renewed right of first refusal in said property.

Other Exhibits to Be Attached as Appropriate

PREMISES

Correct legal description of area of Leased Premises and appurtenant title rights and obligations

ZONING

Setting forth applicable zoning restrictions as of the commencement of the Lease

RESTRICTIONS

To be attached when necessary to stipulate use restrictions not included under Zoning

INITIAL APPRAISAL

To be attached if Lease contains an “appraisal-based” resale formula

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