

Chapter 15-A

CLTs and Limited Equity Housing Coops with Model CLT-Coop Lease

Introduction: Why the Combination of CLTs and Coops

For some time, supporters of the community land trust model have harbored a sympathetic interest in limited equity housing coops. In 1984, the Institute for Community Economics published an essay entitled “Limited Equity Coops and CLTs,” in which the following paragraph appeared:

As participatory community-based models providing access to land and housing for lower income people, CLTs and limited equity coops each offer an alternative to unrestricted individual ownership and the private market on the one hand and government ownership on the other hand. Both give people the security that comes with control of their own homes, while limiting the transfer of property in the marketplace to keep it affordable for lower income people in the future. Both attempt to balance individual and community interests – promoting economic justice for individuals while retaining for the community the “social increment” in the property used by the individual.¹

The essay went on to note the essential difference between the two models – coops being controlled by the residents of the housing, CLTs being controlled by memberships that include both those who live in CLT housing and others in the community who do not live in that housing – but then emphasized that the two models were complementary in certain ways. In fact, it stated, “. . . we at ICE have been interested in the idea of a relationship between a CLT and limited equity coops within a community: the coops owning and managing housing on a limited equity basis; the CLT owning the land under the coop housing. . . , linking scattered coops and other neighborhood development in a stable network, and reinforcing the coops’ equity limiting provisions. . .”

This vision of a CLT-coop relationship resonated with the founders of early CLTs, who recognized the advantages that both types of organizations might gain by working together. It was clear that coops owned and controlled by low-income people with limited resources and limited experience in managing real estate were economically vulnerable, and it made sense that they could be strengthened by a relationship with a CLT. It was also a known fact that the members of some limited equity coops that *had* succeeded in rapidly appreciating real estate markets had succumbed to the temptation to amend their bylaws to remove equity limitations so that they could sell their shares for unrestricted market prices. It was understood that a CLT ground lease – had the coop been leasing the land from a CLT – could have prevented this.

CLTs also saw coops as a possible solution to a problem that many of them confronted. CLTs working in low-income communities were typically trying to do two things that were not easily done together. They were trying to acquire and rehabilitate run-down absentee-owned rental housing, often in two-to-six unit buildings. At the same time they were trying to create ownership opportunities for the low-income life-long

¹ “Limited Equity Coops and CLTs,” *Community Economics*, Number 4, Spring 1984, Institute for Community Economics, Greenfield, Massachusetts.

tenants living in those buildings. For those tenants, coops seemed to be the only form of resident-ownership that was feasible.

What Does it Take to Create a Successful Coop.

In the later 1980s and early 1990s, a number of CLTs did organize coops to own buildings of this sort on CLT land. Some of these coop projects were successful, but there were also a number that did not succeed and were eventually converted back into CLT-owned rental properties. No one quality clearly distinguishes those that succeeded from those that did not succeed, but CLTs now have enough experience with coops in a variety of different situations to make some useful generalizations about the conditions that will *favor* success.

Commitment to coop model. Coop membership entails not only certain benefits but certain responsibilities – and therefore a certain kind of effort – that conventional tenancy does not entail. If the members of a coop are committed to the model and determined to make it work, their coop probably will work. If they would really rather be conventional tenants and let a conventional landlord bear full responsibility for managing their housing, then it is unlikely that a CLT – or any other would-be coop organizer – will be able to create a successful coop.

The biggest problem that a number of the early CLT-initiated coop projects faced was that the projects were identified in terms of the condition and market status of specific buildings rather than in terms of groups of people actively interested in coop membership. It was assumed that the existing low-income tenants of those buildings could benefit from cooperative ownership, but the tenants themselves had little or no knowledge of housing coops and little reason to commit themselves to forming a successful coop. They were grateful that a nonprofit organization was acquiring and improving their building, and they might say “yes, cooperative ownership sounds great,” but this sort of acquiescence is not the same as commitment to do whatever it takes to make cooperative ownership work.

Training, guidance, and support. Even when there is some level of commitment to the coop model, new members or potential members cannot be expected to bring with them the knowledge and skills needed to make the coop work. Training is essential if the necessary knowledge and skills – relating to everything from the governance process, to physical maintenance and financial management – are to be developed. Training is needed for all members of a new coop, and for new members who come into the coop later on. And a certain amount of *ongoing* training, guidance and support is also needed. A CLT cannot expect that, after a few initial training sessions, a group of people who have probably been tenants all their lives will suddenly have all the knowledge and skills needed to work together to manage their housing and deal with any and all problems that may arise.

Successful CLT-related coops have generally had the benefit of a regular ongoing supportive relationship, if not with the CLT itself then with a separate coop federation, mutual housing association or other such entity. The successful coop-related experience of Champlain Housing Trust (formerly Burlington [Vermont] CLT) is instructive in this regard. Like some other CLTs in the later 1980s it had undertaken the rehabilitation of a number of two-to-four unit rental properties, with the intention of eventually converting as many of them as possible to cooperative ownership, and like those other CLTs it was

finding it difficult to make such conversions actually happen. Unlike those other CLTs, however, it received help from a municipal government that was itself committed to promoting successful coops. The city of Burlington took the initiative in forming and funding the Champlain Mutual Housing Federation to organize and train coops that not only would own CLT (and other) buildings but would have certain reporting obligations and would receive certain kinds of guidance and support as members of the Federation. At a later time the Federation was folded into the CLT itself, which continues to provide guidance and support to its coop lessees through contracts for services.

Shared “culture.” Within a coop, responsibilities must be shared. Members must work together effectively. It will be easier for them to do so if they have interests, beliefs, or experience in common. One example of shared interests and beliefs is of course a shared commitment to the coop model, as noted above. But other kinds of shared experience can also facilitate cooperative efforts. One of the successful coops developed by Champlain Housing Trust involves a “live-work” facility that provides work space as well as housing for a small group of artists and craftspeople. Members of this group obviously have more in common than do the residents of most apartment buildings. In another successful but very small CHT coop (just four units), all the member households are independent small-scale farmers, working near each other on land just outside of Burlington.

Another important kind of shared experience for some coop memberships is provided by the process of planning and creating the coop – and in some cases by the shared experience of creating the housing itself. The four successful coops developed by Lopez CLT (on Lopez Island in Washington State) have clearly been strengthened by the fact that, in each case, the members participated together in the lengthy process of building a cooperatively owned cluster of single-family homes. It should also be noted that the various kinds of shared experience in planning and creating a coop and/or coop-owned housing has not only a bonding effect on the membership but also a self-screening effect. Some of those who begin the process may discover that, for one reason or another, they are not comfortable working with the group – in which case they can depart and be replaced by others before the coop begins operating.

Advantages and disadvantages of smaller size. There is no one ideal size for all situations. It is true that small coops can be less durable over time than larger ones. If a coop has only four members and one of them moves out and must be replaced with someone who has no previous coop experience and no history with the group, the effect can obviously be destabilizing. And *continued* turnover at even a modest rate in such a small coop can be a potentially unsupportable burden. Yet there are also advantages to small size if other positive factors are present. In fact most of the successful coops mentioned above – including CHT’s four-member coop and the Lopez Island coops (whose memberships range from seven to eleven households) – are small. As we have said, these coops are notable for the extent to which their members are brought together by shared experience. It would be difficult to find this degree of shared experience in much larger coops.

Small coops also enjoy an advantage in so far as self-management (the members themselves carrying out management tasks) is a goal. Self-management is a necessity for very small coops, which normally cannot afford professional property management. In the view of some, self-management is a desirable feature of a true cooperative. In other

words, self-managed coops are more clearly distinguished from the conventional rental situation, where the housing is managed by someone other than the residents. At the same time, it cannot be denied that small coops managed by members with limited management experience are vulnerable to mismanagement. Training, guidance and support from a CLT or other entity are especially important for these coops.

Advantages and disadvantages of larger size. Larger coops – and there are many with more than 100 members – have the advantage of being less affected by the transfer of units to new members. A 100-member coop would need to have 25 units transfer all at once if it were to have the same ratio of new to old members as a 4 unit coop where a single unit has transferred. There are also economic advantages for larger coops in so far as self-management is *not* a goal. Such coops can afford to contract with professional property managers. In fact, for very large coops this arrangement is likely to be the only realistic option, since self-management by a large group becomes a very complicated process.

Professional management should substantially reduce the potential for mismanagement of the physical and financial aspects of a coop's housing. As we have noted, however, it is also very similar to conventional rental housing in some respects. The members still have ultimate control over how and by whom their housing is managed. They (or the board of directors they elect) have the power to hire and fire property managers, approve or reject proposed budgets, etc. But it is common for members of large coops to disengage from property management issues to a greater or lesser extent, and in doing so to treat their housing situation as though it really were no different from a rental situation. Members of these coops may not need exactly the kinds of management training that members of small self-managed coops need; nevertheless, if they are to have meaningful control over their housing, they – or at least a substantial portion of them – do need training and guidance relating to the not-so-simple process of directing, overseeing, and evaluating the work of professional managers.

Varieties of Coop Structures

The basic considerations discussed above apply more or less equally to coops structured in different ways. Nonetheless, coop corporations, and the rules that govern them, can take different forms, and these differences will have consequences that a CLT interested in creating a housing coop must consider. In this section we will look at the difference between (1) coops organized as shareholder-controlled corporations and those organized as not-for-profit member-controlled corporations; (2) market-rate coops, limited-equity coops, and non-equity coops; (3) financing through “blanket mortgages” and financing through “share loans”; (4) coops that own their own buildings while leasing the land and coops that lease both the land and the buildings; and (5) manufactured housing park coops and other housing coops.

Shareholder corporations vs. not-for-profit corporations. Except in states that have adopted legislation providing specifically for housing coops, shareholder coops are incorporated under the same “business corporation laws” under which conventional businesses are incorporated. Such laws give a corporation the right to own, buy and sell property and do business as though it were in most respects an individual. The ultimate control of the corporation is held by the “shareholders” – the people who have purchased

shares of ownership. At the same time, the shareholders are protected in most respects from being held liable for actions taken by the corporation.

In most business corporations, the degree of ownership and control held by a single shareholder is based on the number of shares that he or she owns – if a shareholder owns more than half the shares, he or she can out-vote all of the other shareholders. Shareholder *coops*, however, are significantly different in this respect: their articles of incorporation and bylaws limit each shareholder to a single share of ownership and a single vote on all issues that come before the shareholders, so all of them have an equal degree of control. (In states with statutes that specifically provide for coops, the principle of “one-shareholder-one-vote” is legally required for all shareholder corporations created under such laws.)

Not-for-profit coops are typically created in situations where the affordability of membership for low and very low income people is an overriding concern. They are incorporated as membership organizations under state not-for-profit corporation laws. All members of the corporation must be residents of the housing (unless a CLT or other sponsoring organization retains membership as well). As members, residents have the same degree of control over their housing as shareholder-residents of shareholder coops, but they do not have the same kind of ownership interest that shareholders have. They normally pay a modest membership fee when they join the coop, and this fee is normally refundable when they leave the coop and may earn interest for them during their tenure as members, but it does not give them a share of equity in the corporation.

In deciding what legal structure should be employed in creating a coop, CLTs should work closely with an attorney who is familiar both with the state laws under which the organization might be incorporated and with any requirements regarding state approval of an offering of coop shares.

Market-rate, limited-equity, and non-equity coops. CLTs are normally *not* concerned with *market-rate* coops, whose shares can be sold for “whatever the market will bear” (in areas like New York City where such coops are relatively common, the market will in fact “bear” very high prices). There is no limit on the extent to which the market value of such shares is can appreciate over time. By contrast, the value of shares in a *limited-equity* coop can appreciate only to the extent permitted by resale provisions written into the coop’s bylaws and proprietary lease.

Limited-equity coops vary considerably in both the initial price for which shares are sold and the extent to which share prices are allowed to increase beyond the initial price when they are resold. For coops that are not deeply subsidized and that are not able to arrange debt financing for a high percentage of the cost of acquisition and development, the proceeds from the initial sale of shares will need to cover a significant portion of the coop’s total cost. (If such shares are to be made affordable for low income people, it will be necessary, as noted below, to arrange affordable financing for the purchasers on a share-by-share basis.)

For coops that are deeply subsidized and affordably financed, initial share prices can sometimes be as low as the membership fees charged to members of not-for-profit coops, and may appreciate as little as not-for-profit membership fees that accrue only modest interest. The term “*non-equity* coops” is usually used to describe not-for-profit coops, but might be applied also to coops that are technically organized as shareholder

corporations but that limit the shareholder's financial stake to the equivalent of a modest refundable membership fee.

Blanket mortgages vs. share loans. As the term is used regarding housing coops, *blanket mortgages* are real estate loans made to the coop corporation and secured with a mortgage lien on the corporation's property. One of the reasons that CLTs may consider using the coop model to provide affordable homeownership opportunities for low-income people (even when the homes are to be free-standing single-family units as in the case of the Lopez coops) is the fact that lenders may be more willing to make one large blanket loan to a corporation than a number of small loans to low-income individuals.

Share loans are loans made to individuals to finance the purchase of coop shares. They are not collateralized by real estate. For coops serving low-income memberships, the goal is normally to arrange blanket mortgage financing for as much as possible of the unsubsidized cost of acquiring and/or developing the housing, so that share prices will be low enough so that members can afford them or can finance their purchase with relatively small share loans. Conventional lenders are generally unwilling to make these uncollateralized loans to low income people on affordable terms, but it can be possible to develop access to such loans from other sources – including nonprofit loan funds and in some cases specialized funds capitalized and managed by CLTs or other coop sponsors, or by coops themselves. Alternatively, some coops have used individual development account (IDA) programs to help at least the initial members to accumulate the funds needed to buy shares.

It should be emphasized that when the value of coop shares, though limited, is still allowed to appreciate significantly, the need for share loans to finance the purchase of the potentially more expensive shares when they are resold becomes an increasingly difficult issue. Some early CLT-initiated coops were launched with share resale provisions that allowed substantial appreciation in share value, while their bylaws (and often their agreements with subsidy sources) permitted share resale only to low-income people. In most cases no arrangements had been made to make share loans available to new buyers. The result was that initial members were led to believe that they would be able to sell their shares for prices that, in reality, most eligible buyers would not be able to pay.

Ownership vs. leasehold coops. The usual assumption regarding CLT-initiated coops is that the coop will lease land from the CLT but will own the buildings and other improvements on the land. However, CLTs may also play a role in initiating *leasehold coops*, which lease both land and buildings – usually from a limited partnership that has been formed to develop and own the property so as to utilize tax credit financing. In such cases, the CLT may act as the “general partner” that manages the project, with “limited partners” (normally banks or other corporations) providing equity investments in return for federal affordable housing tax credits. These tax-credit-financed leasehold coops obviously have no equity in the property they occupy and are therefore normally incorporated as non-equity not-for-profit organizations. Like the more conventional tax-credit financed rental projects, they are normally large projects that require professional management. Of all types of coops, they are least likely to feel like a form of homeownership to the residents. Nonetheless, the members do have a substantial amount of control over the management of their housing – far more than conventional tenants have – if they choose to exercise it and receive adequate training and support. They may

also have the option to assume ownership of the housing when the tax credits eventually expire and the limited partnership is dissolved.

Manufactured housing park coops. Manufactured housing parks (aka mobile home parks) are real estate developments that provide “lot sites” – with access to roads, water, sewer and power lines – which are rented to people who own their own manufactured housing on these sites. Such parks provide a relatively affordable form of homeownership for a great many people, but they do not provide long-term security for owners of manufactured housing, who have only short-term leases to their lot sites (typically one-year or even month-to-month leases) *unless* the residents themselves organize a coop and gain control of the park. Such coops are becoming increasingly common. (In New Hampshire, as of this writing, nearly 100 parks have been converted to resident ownership in this way through a program of the New Hampshire Community Loan Fund, which has become the model for a national program known as ROC [Resident Owned Communities]-USA.)

Most of these coops acquire fee simple title to the land and then enter into very long-term leases with their members for the individual lot sites. It is also possible, however, for a CLT to acquire fee simple title to the land and then enter into a very long-term master ground lease for the whole park with a residents association or coop, which then subleases lot sites to individual residents. This arrangement is particularly appropriate when resident acquisition of the park is subsidized specifically to provide long-term affordability for lower income people. In such cases, the CLT’s master lease can establish requirements regarding sub-lessee income levels and sub-lease fees just as CLT ground leases to housing coops do. (Resale price restrictions may or may not be applied to the resale of the manufactured housing itself.)

Questions for CLTs Considering Coop Projects

The planning of a coop and its relationship to a CLT is a complicated matter, and there are many questions to be considered. We will first review basic questions that a CLT should consider in connection with any potential coop project. We will then review additional questions that are important to consider in connection with projects involving the conversion of occupied rental property to coop ownership.

Basic questions. Questions that must be addressed for all CLT-sponsored coops include the following:

- *Constituency.* Should the intended constituency be defined entirely in terms of income levels? (If so, what income levels?) Or should the intended constituency also to be defined in other terms – e.g., students, people with disabilities, artisans requiring work-space, etc.? What advantages or opportunities would the coop model – as compared with other ownership models – offer the intended constituency? What kind of coop could best serve this constituency – limited equity shareholder coop, non-equity not-for profit coop, leasehold coop?
- *CLT’s role.* If a CLT is to be involved in a coop project, what will its role – or roles – be? Will it be the entity that creates the coop corporation? Will it acquire and develop the property for the coop before the coop begins operating? Will it market the coop shares (or memberships), and select initial residents? Will it be the long-term land-owner? If it is to be the land-owner (ground lessor), what lease restrictions

will the CLT be responsible for enforcing regarding the coop's operation and transfer of shares? Can the CLT be a long-term source of guidance and support for the coop? If not, are there other possible sources of guidance and support?

- *Marketability.* Does (or can) the relatively unfamiliar coop model have enough appeal in the local community to be marketable?
- *Size.* How large will the coop be? Given the nature of the particular clientele and other specific circumstances, can the coop be large enough to maintain stable operations as some members depart and others take their places? What can the CLT do to reinforce long-term stability?
- *Training.* Can adequate training be made available – both initially and as needed on an ongoing basis? Can the CLT provide it? If not, is there another possible source of training? How will training be paid for?
- *Member participation.* Can prospective members be involved in planning the coop corporation? Can they be involved in planning and/or carrying out construction?
- *Financing.* Can adequate subsidy and the necessary blanket mortgage financing be made available for this form of housing?
- *Share resale issues.* For a limited equity shareholder coop, to what extent can the value of shares be allowed to appreciate and still be affordable for potential future members in the targeted income range? Is there a way to make share loans available?
- *Management.* To what extent will self-management be feasible for the coop? To what extent will it be possible for the coop to contract for professional management services? How will training on management issues be provided? What will be the CLT's ongoing role regarding management?

Questions re. coop conversions. If a CLT is considering converting an occupied rental property to cooperative ownership, the following questions must also be addressed:

- *Current residents' understanding and interest.* Do the current residents of the rental property have a clear idea of what coop ownership would mean? Do they have a genuine interest in owning the property as a coop? Or are they more interested in the quality and cost of their housing than in issues of ownership and control?
- *Current residents' capacity to function as coop members.* To what extent do existing tenants know and interact with each other? Do they already feel that they have a shared interest in what happens to their housing? If a self-managed coop is envisioned, do the current residents have the ability (given appropriate training) to manage successfully?
- *Affordability for current residents.* If a limited equity shareholder coop is envisioned, how much can current residents afford to pay for shares? Can share loans be made available on an appropriate basis? Could a not-for-profit non-equity coop be made more affordable?
- *Future marketability.* Even if there is strong interest among existing tenants, will membership in this coop be desirable enough (because of the location and quality of the housing and/or the character of the membership) to support future marketing of units when current residents leave?
- *Provisions for current residents not interested in coop membership.* How many current residents are not interested in membership? Do they want to remain in the

building(s)? What arrangements could be made to allow them to remain as non-members? What arrangements could be made to help them relocate?

The CLT-Coop Ground Lease

Most of the issues that a CLT-Coop ground lease must address are essentially the same as those addressed in the more common ground lease between a CLT and a single-family homeowner. Nonetheless, there are some distinctive differences. The most obvious overall difference is of course that the CLT-coop relationship entails an additional “layer.” Although the CLT’s ultimate concern with a housing coop is still to provide affordable, secure long-term housing tenure for lower income households, it is not entering into a lease with each of those households individually; it is entering into a lease with the coop corporation that they control. The lease establishes certain rights and obligations of the corporation with regard to the CLT. But it also defines the rights and obligations of the corporation’s *members* with regard to the CLT and the leased land. And finally it defines the coop’s obligations to enforce its members’ compliance with coop policies and the terms of the lease.

Similarities with single-family model. Much of the Model CLT-Coop Ground Lease presented below was derived from the model single-family CLT ground lease, the 2011 version of which is presented in Chapter 11-A. Since so many of the issues that must be addressed in the coop lease do not differ significantly from those addressed in the single-family model, most sections of the coop model borrow language directly from comparable sections of the single-family model, which has been shaped by thirty years of actual CLT experience and is already familiar to most CLTs.

Articles of the lease that have required only limited adaptation include the following (as numbered in the coop lease):

1. Leasing of Rights to Land
2. Term of Lease; Change of Land Owner
4. Lease Fee
5. Taxes and Assessments
6. The Improvements
7. Financing
8. Liability, Insurance, Damage and Destruction, Eminent Domain
11. Default
12. Mediation and Arbitration
13. General Provisions (except section 13.1, which differs significantly)

Differences from single-family model. The major differences between the Model CLT-Coop Ground Lease and the single-family model occur in Articles 3, 9, and 10 of the coop model.

Article 3, “Use of Leased Land,” although similar to the comparable article in the single-family lease in most respects, differs significantly in two ways: (1) the primary use is defined not only generally as “residential” but specifically as the operation of a limited equity housing cooperative; and (2) the language of most sections of this article has been modified so that it applies not only to use by the coop as a corporate entity but to use by the individual members as well.

“Article 9: Transfer of Improvements” has been modified in various ways, recognizing that the subject of the article is not the more or less predictable eventual sale (or inheritance) of a single-family home but the transfer of all the coop’s housing to another entity – a far less predictable kind of transaction, if it happens at all.

Article 10, “Coop’s Obligations and CLT’s Rights Regarding Operation Of the Coop,” brings together in one place a number of provisions relating to how the coop is to operate and how it is to deal with actions of its members on critical issues. Much of the detail involved in these matters is left to be presented in the attached exhibits containing the coop’s bylaws and proprietary lease and “income and affordability requirements” – all of which can be expected to vary significantly from one coop to another.

The initial article of the single-family lease, dealing with letters of agreement and attorney’s acknowledgement, has been omitted in the coop lease since such letters are normally unnecessary with a corporate lessee.

Section-by-section commentary on the Model CLT-Coop Lease is presented in Chapter 15-B

MODEL CLT-COOP LEASE

For section-by-section commentary on this model lease, see Chapter 15-B.

THIS LEASE (“this Lease” or “the Lease”) entered into this _____ day of _____, 20____, between _____ COMMUNITY LAND TRUST (“CLT”) and _____ (“Coop”).

RECITALS

- A.** The CLT is organized exclusively for charitable purposes, including the purpose of providing secure resident-controlled housing for low and moderate income people.
- B.** The Leased Land described in this Lease has been acquired and is being leased by the CLT to the Coop in furtherance of this purpose.
- C.** The Coop has agreed to enter into this Lease not only to obtain the benefits of secure resident-controlled housing for its members, but also to further the charitable purposes of the CLT.
- D.** Coop and CLT recognize the special nature of the terms of this Lease, and each of them accepts these terms, including those terms that affect the marketing and resale price of the property by the Coop and the resale of Coop shares by the Coop’s members .
- E.** Coop and CLT agree that the terms of this Lease further their shared goals over an extended period of time.

NOW THEREFORE, Coop and CLT agree on the terms and conditions of this Lease as set forth below.

DEFINITIONS: Coop and CLT agree on the following definitions of key terms used in this Lease.

Leased Land: the parcel of land described in Exhibit: LEASED LAND, which the CLT is leasing to the Coop.

Improvements: the residential structure and other permanent improvements located on the Leased Land, including both the original Improvements described in Exhibit: DEED and all permanent improvements added thereafter by Coop at Coop's expense.

Limited equity housing cooperative: a corporation formed for the purpose of providing resident-controlled housing with long-term security of tenure for low and moderate income people. It is controlled by shareholders who live in buildings owned by the corporation. The shareholders' rights are limited by the terms of the corporation's bylaws. The Coop that is a party to this Lease is a limited equity housing cooperative.

Members: the people who own shares in the Coop and hold proprietary leases to residential units in the Coop-owned Improvements.

Lease Fee: The monthly fee that the Coop pays to the CLT for continuing use of the Leased Land and any additional amounts that the CLT charges the Coop for reasons permitted by this Lease.

Permitted Mortgage: A mortgage or deed of trust on the Improvements and the Coop's interest in the Leased Land granted to a lender by the Coop with the CLT's Permission. The Coop may not mortgage the CLT's interest in the Leased Land, and may not grant any mortgage or deed of trust without CLT's Permission.

Event of Default: Any violation of the terms of the Lease that has not been corrected ("cured") by Coop or the holder of a Permitted Mortgage in the specified period of time after a written Notice of Default has been given by CLT.

ARTICLE 1: Leasing of Rights to the Land

1.1 CLT LEASES THE LAND TO COOP: The CLT hereby leases to the Coop, and Coop hereby accepts, the right to possess, occupy and use the Leased Land (described in the attached Exhibit LEASED LAND) in accordance with the terms of this Lease. CLT has furnished to Coop a copy of the most current title report, if any, obtained by CLT for the Leased Land, and Coop accepts title to the Leased Land in its condition "as is" as of the signing of this Lease.

1.2 MINERAL RIGHTS NOT LEASED TO COOP: CLT does not lease to Coop the right to remove from the Leased Land any minerals lying beneath the Leased Land's surface. Ownership of such minerals remains with the CLT, but the CLT shall not remove any such minerals from the Leased Land without the Coop's written permission.

ARTICLE 2: Term of Lease, Change of Land Owner

2.1 TERM OF LEASE IS 99 YEARS: This Lease shall remain in effect for 99 years, beginning on the ___ day of _____, 20___, and ending on the _____ day of _____, 20____, unless ended sooner or renewed as provided below.

2.2 COOP CAN RENEW LEASE FOR ANOTHER 99 YEARS: Coop may renew this Lease for one additional period of 99 years. The CLT may change the terms of the Lease for the renewal period prior to the beginning of the renewal period but only if these changes do not materially and adversely interfere with the rights possessed by Coop under the Lease. Not more than 365 or less than 180 days before the last day of the first 99-year period, CLT shall give Coop a written notice that states the date of the expiration of the first 99-year period and the conditions for renewal as set forth in the following

paragraph (“the Expiration Notice”). The Expiration Notice shall also describe any changes that CLT intends to make in the Lease for the renewal period as permitted above.

The Coop shall then have the right to renew the Lease only if the following conditions are met: (a) within 60 days of receipt of the Expiration Notice, the Coop shall give CLT written notice stating the Coop’s desire to renew (“the Renewal Notice”); (b) this Lease shall be in effect on the last day of the original 99-year term, and (c) the Coop shall not be in default under this Lease or under any Permitted Mortgage on the last day of the original 99-year term.

When Coop has exercised the option to renew, Coop and CLT shall sign a memorandum stating that the option has been exercised. The memorandum shall comply with the requirements for a notice of lease as stated in Section 13.12 below. The CLT shall record this memorandum in accordance with the requirements of law promptly after the beginning of the renewal period.

2.3 WHAT HAPPENS IF CLT DECIDES TO SELL THE LEASED LAND: If ownership of the Leased Land is ever transferred by CLT (whether voluntarily or involuntarily) to any other person or institution, this Lease shall not cease, but shall remain binding on the new land-owner as well as the Coop. If CLT agrees to transfer the Leased Land to any person or institution other than a non-profit corporation, charitable trust, government agency or other similar institution sharing the goals described in the Recitals above, the Coop shall have a right of first refusal to purchase the Leased Land. The details of this right shall be as stated in the attached Exhibit FIRST REFUSAL. Any sale or other transfer contrary to this Section 3.3 shall be null and void.

ARTICLE 3: Use of Leased Land

3.1 LEASED LAND MUST BE USED FOR THE OPERATION OF A LIMITED EQUITY HOUSING COOPERATIVE: The leased land must be used for the operation of a limited equity housing cooperative in full compliance with the terms of this lease.

3.2 COOP AND ITS MEMBERS MAY USE THE IMPROVEMENTS ONLY FOR RESIDENTIAL AND RELATED PURPOSES: Coop shall use, and allow its Members to use, the Improvements and Leased Land only for residential purposes and any activities related to residential use that were permitted by local zoning law when the Lease was signed, as indicated in the attached Exhibit ZONING. ***[To be added when needed: Use of the Leased Land shall be further limited by the restrictions described in the attached Exhibit RESTRICTIONS.]***

3.3 COOP AND ITS MEMBERS MUST USE THE IMPROVEMENTS AND LEASED LAND RESPONSIBLY AND IN COMPLIANCE WITH THE LAW: The Coop and its Members shall use the Improvements and Leased Land only in ways that will not cause harm to others or create any public nuisance. Coop and its Members shall dispose of all waste in a safe and sanitary manner. Coop and its Members shall maintain all parts of the Improvements and Leased Land in safe, sound and habitable condition, in full compliance with all laws and regulations, and in the condition that is required to maintain the insurance coverage required by Section 8.4 of this Lease.

3.4 COOP IS RESPONSIBLE FOR USE BY OTHERS: The Coop shall be responsible for the use of the Improvements and Leased Land by all Members and visitors and

anyone else using the Leased Land with the permission of the Coop or its Members, and shall make all such people aware of the restrictions on use set forth in this Lease.

3.5 LEASED LAND MAY NOT BE SUBLEASED TO NON-MEMBERS WITHOUT CLT'S PERMISSION. Except as subleases to Members are permitted in Article 10 and except as otherwise provided in Article 7 and Article 9, Coop shall not sublease, sell or otherwise convey any of Coop's rights under this Lease, for any period of time, without the written permission of CLT. Coop agrees that CLT shall have the right to withhold such consent in order to further the purposes of this Lease.

3.6 CLT HAS A RIGHT TO INSPECT THE LEASED LAND: The CLT may inspect any part of the Leased Land except the interiors of fully enclosed buildings, at any reasonable time, after notifying the Coop at least 24 hours before the planned inspection. No more than ___ regular inspections may be carried out in a single year, except in the case of an emergency. In an emergency, the CLT may inspect any part of the Leased Land except the interiors of fully enclosed buildings, after making reasonable efforts to inform the Coop before the inspection.

If the CLT has received an Intent-To-Sell Notice (as described in Section 9.3 below), then the CLT has the right to inspect the interiors of all fully enclosed buildings to determine their condition prior to the sale. The CLT must notify the Homeowner at least 24 hours before carrying out such inspection.

3.7 COOP AND ITS MEMBERS HAVE A RIGHT TO QUIET ENJOYMENT: The Coop and its Members have the right to quiet enjoyment of the Leased Land. The CLT has no desire or intention to interfere with the personal lives, associations, expressions, or actions of the Members in any way not permitted by this Lease.

ARTICLE 4: Lease Fee

4.1 AMOUNT OF LEASE FEE: The Coop shall pay a monthly Lease Fee in the amount of \$ ___ in return for the continuing right to possess, occupy and use the Leased Land.

4.2 WHEN THE LEASE FEE IS TO BE PAID: The Lease Fee shall be payable to CLT on the first day of each month for as long as this Lease remains in effect, unless the Lease Fee is to be escrowed and paid by a Permitted Mortgagee, in which case payment shall be made as directed by that Mortgagee.

4.3 HOW THE AMOUNT OF THE LEASE FEE HAS BEEN DETERMINED: The amount of the Lease Fee stated in Section 4.1 above has been determined as follows. First, the approximate monthly fair rental value of the Leased Land has been established, as of the beginning of the Lease term, recognizing that the fair rental value is reduced by certain restrictions imposed by the Lease on the use of the Land. Then the affordability of this monthly amount for the Coop, as a limited equity housing cooperative serving low and moderate income Members, has been analyzed and, if necessary, the Lease Fee has been reduced to an amount considered to be affordable for the Coop.

4.4 CLT MAY REDUCE OR SUSPEND THE LEASE FEE TO IMPROVE AFFORDABILITY: CLT may reduce or suspend the total amount of the Lease Fee for a period of time for the purpose of improving the affordability of the Coop's use of the Leased Land. Any such reduction or suspension must be in writing and signed by CLT.

4.5 FEES MAY BE INCREASED FROM TIME TO TIME: The CLT may increase the amount of the Lease Fee from time to time, but not more often than once every ___ years. Each time such amounts are increased, the total percentage of increase since the date this Lease was signed shall not be greater than the percentage of increase, over the same period of time, in the Consumer Price Index for urban wage earners and clerical workers for the urban area in which the Leased Land is located, or, if none, for urban areas the size of _____.

4.6 LEASE FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED: If, for any reason, the provisions of Article 9 regarding transfers of the Improvements or Section 3.1 and Article 10 regarding use of the Leased Land for operation of a limited equity housing cooperative are suspended or invalidated for any period of time, then during that time the Lease Fee shall be increased to an amount calculated by CLT to equal the fair rental value of the Leased Land for use not restricted by the suspended provisions, but initially an amount not exceeding ___ dollars. Such increase shall become effective upon CLT's written notice to the party then in the role of ground lessee. Thereafter, for so long as these restrictions are not reinstated in the Lease, the CLT may, from time to time, further increase the amount of such Lease Fee, provided that the amount of the Fee does not exceed the fair rental value of the property, and provided that such increases do not occur more often than once in every ___ years.

4.7 IF PAYMENT IS LATE, INTEREST CAN BE CHARGED: If the CLT has not received any monthly installment of the Lease Fee on or before the date on which such installment first becomes payable under this Lease (the "Due Date"), the CLT may require Coop to pay interest on the unpaid amount from the Due Date through and including the date such payment or installment is received by CLT, at a rate not to exceed _____. *[Specify either a fixed %, an index such as prime rate of a particular institution, or a legally established limit].* Such interest shall be deemed additional Lease Fee and shall be paid by Coop to CLT upon demand; provided, however, that CLT shall waive any such interest that would otherwise be payable to CLT if such payment of the Lease Fee is received by CLT on or before the thirtieth (30th) day after the Due Date.

4.8 CLT CAN COLLECT UNPAID FEES WHEN IMPROVEMENTS ARE SOLD: In the event that any amount of payable Lease Fee remains unpaid when the Improvements are sold, the outstanding amount of payable Lease Fee, including any interest as provided above, shall be paid to CLT out of any proceeds from the sale that would otherwise be due to Coop. The CLT shall have, and the Coop hereby consents to, a lien upon the Improvements for any unpaid Lease Fee. Such lien shall be prior to all other liens and encumbrances on the Improvements except (a) liens and encumbrances recorded before the recording of this Lease, (b) Permitted Mortgages as defined in section 7.1 below; and (c) liens for real property taxes and other governmental assessments or charges against the Improvements.

ARTICLE 5: Taxes and Assessments

5.1 COOP IS RESPONSIBLE FOR PAYING ALL TAXES AND ASSESSMENTS: Coop shall pay directly, when due, all taxes and governmental assessments that relate to the Improvements and the Leased Land (including any taxes relating to the CLT's interest in the Leased Land).

5.2 CLT WILL PASS ON ANY TAX BILLS IT RECEIVES TO COOP: In the event that the local taxing authority bills CLT for any portion of the taxes on the Improvements or Leased Land, CLT shall pass the bill to Coop and Coop shall promptly pay this bill.

5.3 COOP HAS A RIGHT TO CONTEST TAXES: Coop shall have the right to contest the amount or validity of any taxes relating to the Improvements and Leased Land. Upon receiving a reasonable request from Coop for assistance in this matter, CLT shall join in contesting such taxes. All costs of such proceedings shall be paid by Coop.

5.4 IF COOP FAILS TO PAY TAXES, CLT MAY INCREASE LEASE FEE: In the event that Coop fails to pay the taxes or other charges described in Section 6.1 above, CLT may increase Coop's Lease Fee to offset the amount of taxes and other charges owed by Coop. Upon collecting any such amount, CLT shall pay the amount collected to the taxing authority in a timely manner.

5.5 PARTY THAT PAYS TAXES MUST SHOW PROOF: When either party pays taxes relating to the Improvements or Leased Land, that party shall furnish satisfactory evidence of the payment to the other party. A photocopy of a receipt shall be the usual method of furnishing such evidence.

ARTICLE 6: The Improvements

6.1 COOP OWNS THE BUILDINGS AND ALL OTHER IMPROVEMENTS ON THE LEASED LAND: All structures, including buildings, fixtures, and other improvements purchased, constructed, or installed by the Coop on any part of the Leased Land at any time during the term of this Lease (collectively, the "Improvements") shall be property of the Coop. Title to the Improvements shall be and remain vested in the Coop. However, Coop's rights of ownership are limited by certain provisions of this Lease, including those regarding the sale or leasing of the Improvements by the Coop and the CLT's option to purchase the Improvements. In addition, Coop shall not remove any part of the Improvements from the Leased Land without CLT's prior written consent.

6.2 COOP PURCHASES IMPROVEMENTS WHEN SIGNING LEASE: Upon the signing of this Lease, Coop is simultaneously purchasing the Improvements located at that time on the Leased Land, as described in the Deed, a copy of which is attached to this Lease as Exhibit: DEED.

6.3 CONSTRUCTION CARRIED OUT BY COOP MUST COMPLY WITH CERTAIN REQUIREMENTS: Any construction in connection with the Improvements is permitted only if the following requirements are met: (a) all costs shall be paid for by the Coop; (b) all construction shall be performed in a professional manner and shall comply with all applicable laws and regulations; (c) all changes in the Improvements shall be consistent with the permitted uses described in Article 3; (d) the footprint, square-footage, or height of existing buildings shall not be increased and new structures shall not be built or installed on the Leased Land without the prior written consent of CLT.

For any construction requiring CLT's prior written consent, Coop shall submit a written request to the CLT. Such request shall include:

- a) a written statement of the reasons for undertaking the construction;
- b) a set of drawings (floor plan and elevations) showing the dimensions of the proposed construction.

If the CLT finds it needs additional information it shall request such information from Coop within two weeks of receipt of Coop's request. The CLT then, within two weeks of receiving all necessary information (including any additional information it may have requested) shall give Coop either its written consent or a written statement of its reasons for not consenting. Before construction can begin, Coop shall provide CLT with copies of all necessary building permits not previously provided.

6.4 COOP MAY NOT ALLOW STATUTORY LIENS TO REMAIN AGAINST LEASED LAND OR IMPROVEMENTS: No lien of any type shall attach to the CLT's title to the Leased Land. Coop shall not permit any statutory or similar lien to be filed against the Leased Land or the Improvements which remains more than 60 days after it has been filed. Coop shall take action to discharge such lien, whether by means of payment, deposit, bond, court order, or other means permitted by law. If Coop fails to discharge such lien within the 60-day period, then Coop shall immediately notify CLT of such failure. CLT shall have the right to discharge the lien by paying the amount in question. Coop may, at Coop's expense, contest the validity of any such asserted lien, provided Coop has furnished a bond or other acceptable surety in an amount sufficient to release the Leased Land from such lien. Any amounts paid by CLT to discharge such liens shall be treated as an additional Lease Fee payable by Coop upon demand.

6.5 COOP IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS: Coop hereby assumes responsibility for furnishing all services or facilities on the Leased Land, including but not limited to heat, electricity, air conditioning and water. CLT shall not be required to furnish any services or facilities or to make any repairs to the Improvements. Coop shall maintain the Improvements and Leased Land as required by Section 3.3 above and shall see that all necessary repairs and replacements are accomplished when needed.

6.6 IMPROVEMENTS SHALL NOT BE REMOVED. WHEN LEASE ENDS, OWNERSHIP OF IMPROVEMENTS REVERTS TO CLT: The Improvements owned by the Coop shall not be removed from the Leased Land. Upon the expiration or termination of this Lease, ownership of the Improvements shall revert to CLT. Upon thus assuming title to the Improvements, CLT shall promptly pay Coop and Permitted Mortgagee(s), as follows:

FIRST, CLT shall pay any Permitted Mortgagee(s) the full amount owed to such mortgagee(s) by Coop;

SECOND, CLT shall pay the Coop the balance of the 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 Lease Fee and any other amounts owed to the CLT under the terms of this Lease. The Coop shall be responsible for any costs necessary to clear any additional liens or other charges related to the Improvements which may be assessed against the Improvements. If the Coop fails to clear such liens or charges, the balance due the Coop shall also be reduced by the amount necessary to release such liens or charges, including reasonable attorneys' fees incurred by the CLT.

ARTICLE 7: Financing

7.1 COOP CANNOT MORTGAGE THE IMPROVEMENTS WITHOUT CLT'S PERMISSION: The Coop may mortgage the Improvements and the leasehold interest in

the land only with the written permission of CLT. Any mortgage or deed of trust permitted in writing by the CLT is defined as a Permitted Mortgage, and the holder of such a mortgage or deed of trust is defined as a Permitted Mortgagee.

7.2 BY SIGNING LEASE, CLT GIVES PERMISSION FOR ORIGINAL MORTGAGE. By signing this Lease, CLT gives written permission for any mortgage or deed of trust signed that day by the Coop for the purpose of financing Coop's purchase of the Improvements.

7.3 CLT PERMISSION IS REQUIRED FOR REFINANCING OR OTHER SUBSEQUENT MORTGAGES. If, at any time subsequent to the purchase of the Improvements and signing of the Lease, the Coop seeks a loan that is to be secured by a mortgage on the Improvements and leasehold interest (to refinance an existing Permitted Mortgage or to finance Improvements repairs or for any other purpose), Coop must inform CLT, in writing, of the proposed terms and conditions of such mortgage loan at least 15 business days prior to the expected closing of the loan. Upon being thus informed in writing, CLT may request additional information before granting or denying permission.

7.4 A PERMITTED MORTGAGEE HAS CERTAIN OBLIGATIONS UNDER THE LEASE. Any Permitted Mortgagee shall be bound by each of the requirements stated in "Exhibit: Permitted Mortgages, Part A, Obligations of Permitted Mortgagee," which is made a part of this Lease by reference, unless the particular requirement is removed, contradicted or modified by a Rider to this Lease signed by the Coop and the CLT to modify the terms of the Lease during the term of the Permitted Mortgage.

7.5 A PERMITTED MORTGAGEE HAS CERTAIN RIGHTS UNDER THE LEASE. Any Permitted Mortgagee shall have all of the rights and protections stated in "Exhibit: Permitted Mortgages, Part B, Rights of Permitted Mortgagee," which is made a part of this Lease by reference.

7.6 IN THE EVENT OF FORECLOSURE, ANY PROCEEDS IN EXCESS OF THE PURCHASE OPTION PRICE WILL GO TO CLT. Coop and CLT recognize that it would be contrary to the purposes of this agreement if Coop could receive more than the Purchase Option Price as the result of the foreclosure of a mortgage. Therefore, Coop hereby irrevocably assigns to CLT all net proceeds of sale of the Improvements that would otherwise have been payable to Coop and that exceed the amount of net proceeds that Coop would have received if the property had been sold for the Purchase Option Price, calculated as described in Section 9.10 below. Coop authorizes and instructs the Permitted Mortgagee, or any party conducting any sale, to pay such excess amount directly to CLT. If, for any reason, such excess amount is paid to Coop, Coop hereby agrees to promptly pay such amount to CLT.

ARTICLE 8: Liability, Insurance, Damage and Destruction, Eminent Domain

8.1 COOP ASSUMES ALL LIABILITY. Coop assumes all responsibility and liability related to Coop's possession, occupancy and use of the Leased Land.

8.2 COOP MUST DEFEND CLT AGAINST ALL CLAIMS OF LIABILITY. Coop shall defend, indemnify and hold CLT harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Land. Coop waives all claims against CLT for injury or damage on or about the Leased Land.

However, CLT shall remain liable for injury or damage due to any grossly negligent or intentional acts or omissions of CLT or CLT's agents or employees.

8.3 COOP MUST REIMBURSE CLT. In the event the CLT shall be required to pay any sum that is the Coop's responsibility or liability, the Coop shall reimburse the CLT for such payment and for reasonable expenses caused thereby.

8.4 COOP MUST INSURE THE IMPROVEMENTS AGAINST LOSS AND MUST MAINTAIN LIABILITY INSURANCE ON IMPROVEMENTS AND LEASED LAND. Coop shall, at Coop's expense, keep the Improvements continuously insured against "all risks" of physical loss for the full replacement value of the Improvements, and in any event in an amount that will not incur a coinsurance penalty. The amount of such insured replacement value must be approved by the CLT prior to the commencement of the Lease. Thereafter, if the CLT determines that the replacement value to be insured should be increased, the CLT shall inform the Coop of such required increase at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Coop shall assure CLT that the renewal includes such change. If Coop wishes to decrease the amount of replacement value to be insured, Coop shall inform the CLT of the proposed change at least 30 days prior to the time such change would take effect. The change shall not take effect without CLT's approval.

Should the Improvements lie in a flood hazard zone as defined by the National Flood Insurance Plan, the Coop shall keep in full force and effect flood insurance in the maximum amount available.

The Coop shall also, at its sole expense, maintain in full force and effect public liability insurance in the amount of \$_____ per occurrence and in the aggregate. The CLT shall be named as an additional insured, and certificates of insurance shall be delivered to the CLT prior to the commencement of the Lease and at each anniversary date thereof.

The dollar amounts of such coverage may be increased from time to time at the CLT's request but not more often than once in any one-year period. CLT shall inform the Coop of such required increase in coverage at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Coop shall assure CLT that the renewal includes such change. The amount of such increase in coverage shall be based on current trends in liability insurance coverage in the area in which the Improvements is located.

8.5 WHAT HAPPENS IF IMPROVEMENTS ARE DAMAGED OR DESTROYED. Except as provided below, in the event of fire or other damage to the Improvements, Coop shall take all steps necessary to assure 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. Coop shall also promptly take all steps necessary to assure CLT that the Leased Land is safe and that the damaged Improvements do not constitute a danger to persons or property.

If Coop, based 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 the full cost of necessary repairs and that Coop cannot otherwise afford to cover the balance of the cost of repairs, then Coop shall notify CLT of this problem, and CLT may then help to resolve the problem. Methods used to resolve the problem may

include efforts to increase the available insurance proceeds, efforts to reduce the cost of necessary repairs, efforts to arrange affordable financing covering the costs of repair not covered by insurance proceeds, and any other methods agreed upon by both Coop and CLT.

If Coop and CLT cannot agree on a way of restoring the Improvements in the absence of adequate insurance proceeds, then Coop may give CLT written notice of intent to terminate the Lease. The date of actual termination shall be no less than 60 days after the date of Coop's notice of intent to terminate. Upon termination, any insurance proceeds payable to Coop for damage to the Improvements shall be paid as follows.

FIRST, to the expenses of their collection;

SECOND, to any Permitted Mortgagee(s), to the extent required by the Permitted Mortgage(s);

THIRD, to the expenses of enclosing or razing the remains of the Improvements and clearing debris;

FOURTH, to the CLT for any amounts owed under this Lease;

FIFTH, to the Coop, up to an amount equal to the Purchase Option Price, as of the day prior to the loss, less any amounts paid with respect to the second, third, and fourth clauses above;

SIXTH, the balance, if any, to the CLT.

8.6 WHAT HAPPENS IF SOME OR ALL OF THE LAND IS TAKEN FOR PUBLIC USE. If all of the Leased Land is taken by eminent domain or otherwise for public purposes, or if so much of the Leased Land is taken that the Improvements are lost or damaged beyond repair, the Lease shall terminate as of the date when Coop is required to give up possession of the Leased Land. Upon such termination, the entire amount of any award(s) paid shall be allocated in the way described in Section 8.5 above for insurance proceeds.

In the event of a taking of a portion of the Leased Land that does not result in damage to the Improvements or significant reduction in the usefulness or desirability of the Leased Land for the Coop's residential purposes, then any monetary compensation for such taking shall be allocated entirely to CLT.

In the event of a taking of a portion of the Leased Land 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, then the damage shall be treated as damage is treated in Section 8.5 above, and monetary compensation shall be allocated as insurance proceeds are to be allocated under Section 8.5.

8.7 IF PART OF THE LAND IS TAKEN, THE LEASE FEE MAY BE REDUCED. In the event of any taking that reduces the size of the Leased Land but does not result in the termination of the Lease, CLT shall reassess the fair rental value of the remaining Land and shall adjust the Lease Fee if necessary to assure that the monthly fee does not exceed the monthly fair rental value of the Land for use as restricted by the Lease.

ARTICLE 9: Transfer of the Improvements

9.1 INTENT OF THIS ARTICLE IS TO PRESERVE USE BY LIMITED EQUITY COOPERATIVE: Coop and CLT agree that the provisions of this Article 9 are intended to preserve the use of the Leased Land and Improvements for the operation of a limited

equity housing cooperative owned by and serving low and moderate income people, or, if use by such a cooperative is not possible, then use by such other entity as will provide appropriate housing for low and moderate income people.

9.2 COOP MAY TRANSFER IMPROVEMENTS ONLY TO CLT OR AN APPROVED PURCHASER: Coop may transfer the Improvements, for not more than the Purchase Option Price, only to the CLT or to another purchaser approved by the CLT.

9.3 COOP SHALL GIVE NOTICE OF INTENT TO SELL: In the event that the Coop wishes to sell the Improvements to another entity, the Coop shall notify CLT in writing of such wish (the Intent-to-Sell Notice). When submitting the Intent-to-Sell Notice, or at a subsequent time, the Coop may propose a potential purchaser to the CLT.

9.4 AFTER RECEIVING NOTICE, CLT MAY COMMISSION AN APPRAISAL: After CLT's receipt of Coop's Intent-to-Sell Notice, CLT may, at its discretion, commission a market valuation of the Improvements for purposes of determining the Purchase Option Price.

Such appraisal shall be performed by a duly licensed appraiser who is acceptable to both the CLT and the Coop. CLT shall pay the cost of the appraisal. The appraisal shall be conducted by analysis and comparison of comparable properties as though title to the Leased Land and Improvements were held in fee simple absolute by a single party, disregarding all of the restrictions of this Lease on the use, occupancy and transfer of the property. The appraisal shall state the value contributed by the Improvements as being the unrestricted value of the entire property (Leased Land and Improvements) minus the unrestricted value of the Leased Land. Copies of the Appraisal are to be provided to both CLT and Homeowner.

9.5 CLT SHALL REVIEW AND APPROVE OR REJECT PROPOSED PURCHASER: If Coop has proposed a potential purchaser, the CLT shall contact the potential purchaser and request from such entity the information necessary to determine whether purchase of the Improvements by such entity will be consistent with the intended use of the Leased Land as stated in Section 9.1 above. Without undue delay, CLT shall move to determine whether the proposed sale to such entity is consistent with such intended use. In its review of the proposed sale, the CLT shall invite all individual Members of the Coop to express their views on the matter. Upon completing its review CLT shall notify the Coop in writing of its decision to approve or reject the potential purchaser. If approved by the CLT, the proposed purchaser may purchase the Improvements for a price no greater than the Purchase Option Price as defined in Section 9.7 below.

9.6 CLT HAS AN OPTION TO PURCHASE THE IMPROVEMENTS. Upon receipt of an Intent-to-Sell Notice from Coop, and until such time as the Improvements have been sold to another entity, CLT shall have the option to purchase the Improvements at the Purchase Option Price calculated as set forth below. If CLT elects to purchase the Improvements, CLT shall exercise the Purchase Option by notifying Coop, in writing, of such election (the Notice of Exercise of Option). Having given such notice, CLT may either proceed to purchase the Improvements directly or may assign the Purchase Option to an approved purchaser.

The purchase (by CLT or CLT's assignee) must be completed within sixty (60) days of CLT's Notice of Exercise of Option, or within such longer period of time as CLT and Coop agree is necessary to complete the transaction.

9.7 HOW THE PURCHASE OPTION PRICE IS DETERMINED: 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 price calculated in accordance with the formula described in Section 9.8 below (the Formula Price) or, if an appraisal has been commissioned in accordance with Section 9.4 above, the as-if-unrestricted market value of the Improvements as determined by such appraisal.

9.8 HOW THE FORMULA PRICE IS DETERMINED: The Formula Price shall be equal to Coop's original Purchase Price, as stated below plus an amount reflecting the value of subsequent capital improvements paid for by the Coop provided that such improvements have been approved in writing by the CLT prior to construction and that such written approval has included guidelines for determining the monetary value that will be added by such improvements to the Formula Price. If such guidelines provide for the value of the capital improvements to be depreciated over time, the written approval shall specify the rate at which the value is to be depreciated.

The parties agree that the Lessee's Purchase Price for the Improvements existing on the Premises as of the commencement of the term of this Ground Lease is \$_____.

9.9 APPROVED PURCHASER SHALL RECEIVE NEW LEASE: The CLT shall issue a new lease to any entity that purchases the Improvements in accordance with the terms of this Article 9. If the approved purchaser's intended use is that of operating a limited equity housing cooperative owned by low and moderate income people, the terms of the new lease shall not differ substantially from the terms of this Lease. If a proposed purchaser's intended use is not that of operating a limited equity housing cooperative owned by and serving low and moderate income people, the CLT may negotiate new terms with the approved purchaser. Final approval of any proposed purchaser shall depend upon the proposed purchaser and the CLT reaching agreement on the terms of the new lease.

ARTICLE 10: Coop's Obligations and CLT's Rights Regarding Operation Of the Coop

10.1 CLT MUST APPROVE AMENDMENTS TO COOP'S BYLAWS AND PROPRIETARY LEASE. In signing this Lease CLT thereby approves Coop's Bylaws (as attached in Exhibit COOP'S BYLAWS) and the terms of the Coop's Proprietary Lease (as attached in Exhibit PROPRIETARY LEASE). Any subsequent amendments to these documents must be approved in writing by CLT before becoming effective.

10.2 COOP MUST COMPLY WITH ATTACHED INCOME AND AFFORDABILITY REQUIREMENTS. In selling shares and entering into proprietary leases for residential units, the Coop shall comply fully with the terms of the attached Exhibit: INCOME AND AFFORDABILITY REQUIREMENTS.

10.3 COOP MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS. Coop shall comply with all fair housing laws and all other laws and

regulations applicable to its operation as a limited-equity housing cooperative providing affordable housing for low and moderate income people.

10.4 FAILURE TO COMPLY WITH APPLICABLE REQUIREMENTS

CONSTITUTES LEASE DEFAULT. Any failure by Coop to comply with the terms and conditions of its Bylaws or Proprietary Leases or Income and Affordability Requirements or applicable laws and regulations, as well as any failure to enforce Member compliance with those requirements in this Lease that apply to Members, shall constitute a default under this Lease.

10.5 IF COOP FAILS TO ENFORCE MEMBER COMPLIANCE, CLT MAY ACT TO ENFORCE. In the event Coop fails to enforce member compliance with terms and conditions of the Bylaws or Proprietary Lease or applicable laws and regulations or this Lease, CLT may, but is not obligated to, take action, upon at least __ days prior notice, to enforce such terms and conditions directly.

10.6 COOP MUST NOTIFY CLT OF TRANSFERS OF SHARES. Coop must give CLT written notice of any proposed transfers of Coop shares. Notice must include the price and other terms of sale and evidence of the transferee's income-eligibility.

10.7 SUBLEASES OTHER THAN TO MEMBERS MUST BE APPROVED BY CLT. Any subleasing of any portion of the Leased Land or Improvements to any party other than a Member of the Coop must be approved in writing by CLT.

10.8 COOP MUST SUBMIT BUDGETS TO CLT. For each fiscal year, Coop must submit a proposed budget to CLT prior to the beginning of such year. Such budget must include funding of an operating reserve and a replacement reserve in amounts approved by CLT.

10.9 COOP MUST SUBMIT FINANCIAL REPORTS. At three-month intervals, Coop must provide CLT with financial reports for its operation, including a balance sheet and a comparison of actual revenue and expense with budgeted revenue and expense for the year to date. The dates when these reports are to be submitted shall be as agreed by the parties from time to time.

10.10 COOP MUST SUBMIT MINUTES. Coop must submit copies of minutes of all Membership and Board meetings to CLT within thirty days of such meetings.

10.11 COOP MUST SUBMIT MANAGEMENT CONTRACTS. Coop must submit to CLT any proposed contracts for property management. Such contracts shall not become binding unless approved in writing by CLT.

ARTICLE 11: DEFAULT

11.1 WHAT HAPPENS IF COOP FAILS TO MAKE PAYMENTS TO THE CLT THAT ARE REQUIRED BY THE LEASE: It shall be an event of default if Coop fails to pay the Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Coop or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by CLT to Coop and Permitted Mortgagee. However, if Coop makes a good faith partial payment of at least two-thirds (2/3) of the amount owed during the 30-day cure period, then the cure period shall be extended by an additional 30 days.

11.2 WHAT HAPPENS IF COOP VIOLATES OTHER (NONMONETARY) TERMS OF THE LEASE: It shall be an event of default if Coop fails to abide by any other requirement or restriction stated in this Lease, and such failure is not cured by Coop or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by CLT to Coop and Permitted Mortgagee. However, if Coop or Permitted Mortgagee has begun to cure such default within the 60-day cure period and is continuing such cure with due diligence but cannot complete the cure within the 60-day cure period, the cure period shall be extended for as much additional time as may be reasonably required to complete the cure.

11.3 WHAT HAPPENS IF COOP DEFAULTS AS A RESULT OF 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 Coop is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Coop for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed by a court of competent jurisdiction to take charge of any substantial part of the Improvements or Coop's interest in the Leased Land, or if a petition is filed for the reorganization of Coop under any provisions of the Bankruptcy Act now or hereafter enacted, or if Coop 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.

11.4 A DEFAULT (UNCURED VIOLATION) GIVES CLT THE RIGHT TO TERMINATE THE LEASE OR EXERCISE ITS PURCHASE OPTION:

a) **TERMINATION:** In the case of any of the events of default described above, CLT may terminate this lease and initiate summary proceedings against Coop under applicable law, and CLT shall have all the rights and remedies consistent with such laws and resulting court orders to enter the Leased Land and Improvements and repossess the entire Leased Land and Improvements, and expel Coop, its members and any others claiming rights through Coop. In addition, CLT shall have such additional rights and remedies as are permitted by law to recover from Coop arrears of rent and damages from any preceding breach of any covenant of this Lease. If this Lease is terminated by CLT pursuant to an Event of Default, then, as provided in Section 6.6 above, upon thus assuming title to the Improvements, CLT shall pay to Coop and any Permitted Mortgagee an amount equal to the Purchase Option Price calculated in accordance with Section 9.6 above, as of the time of reversion of ownership, less the total amount of any unpaid Lease Fee and any other amounts owed to the CLT under the terms of this Lease and all reasonable costs (including reasonable attorneys' fees) incurred by CLT in pursuit of its remedies under this Lease.

If CLT elects to terminate the Lease, then the Permitted Mortgagee shall have the right (subject to Article 7 above and the attached Exhibit: Permitted Mortgages) 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 Coop's interest in the Improvements and the Leased Land by foreclosure of its mortgage or otherwise.

b) **EXERCISE OF OPTION:** In the case of any of the events of default described above, Coop hereby grants to the CLT (or its assignee) the option to purchase the Improvements for the Purchase Option Price as such price is defined in Article 9 above. Within 30 days

after the expiration of any applicable cure period as established in Sections 11.1 or 11.2 above or within 30 days after any of the events constituting an Event of Default under Section 11.3 above, CLT shall notify the Coop and the Permitted Mortgagee(s) of its decision to exercise its option to purchase under this Section 11.4(b). Not later than ninety (90) days after the CLT gives notice to the Coop of the CLT's intent to exercise its option under this Section 11.4(b), the CLT or its assignee shall purchase the Improvements for the Purchase Option Price.

11.5 WHAT HAPPENS IF CLT DEFAULTS: CLT shall in no event be in default in the performance of any of its obligations under the Lease unless and until CLT has failed to perform such obligations within 60 days, or such additional time as is reasonably required to correct any default, after notice by Coop to CLT properly specifying CLT's failure to perform any such obligation.

ARTICLE 12: MEDIATION AND ARBITRATION

12.1 MEDIATION OR ARBITRATION CAN BE UTILIZED: Nothing in this Lease shall be construed as preventing the parties from utilizing any process of mediation or arbitration in which the parties agree to engage for the purpose of resolving a dispute.

12.2 COST OF MEDIATION OR ARBITRATION SHALL BE SHARED: Coop and CLT shall each pay one half (50%) of any costs incurred in carrying out mediation or arbitration in which they have agreed to engage.

ARTICLE 13: GENERAL PROVISIONS

13.1 COOP'S MEMBERSHIP IN CLT: The Members of the Coop shall automatically be regular voting members of the CLT.

13.2 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 CLT: _____ (name of CLT)

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

If to Coop: _____ (name of Coop)

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

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.

13.3 SEVERABILITY AND DURATION OF LEASE: If any part of this Lease is unenforceable or invalid, such material shall be read out of this Lease and shall not affect the validity of any other part of this Lease or give rise to any cause of action of Coop or CLT 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 CLT's option to purchase and all other rights of both parties under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and 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 20 years after the death of the last survivor of the following persons:

NOTE: 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.

13.4 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, CLT shall nevertheless have a right of first refusal to purchase the Improvements at the highest documented bona fide purchase price offer made to Coop. Such right shall be as specified in Exhibit FIRST REFUSAL. Any sale or transfer contrary to this Section, when applicable, shall be null and void.

13.5 WAIVER: CLT may grant waivers of any terms of this Lease, but such waivers must be in writing and signed by CLT before becoming effective. The failure of CLT to take action with respect to any breach of any such requirement or restriction shall not be deemed to be a waiver of such requirement or restriction with regard to any subsequent breach of such requirement or restriction, or of any other requirement or restriction in the Lease.

The subsequent acceptance of Lease Fee payments by CLT shall not be deemed to be a waiver of any preceding breach by Coop of any requirement or restriction in this Lease, other than the failure of the Coop to pay the particular Lease Fee so accepted, regardless of CLT's knowledge of such preceding breach at the time of acceptance of such Lease Fee payment.

13.6 CLT'S RIGHT TO PROSECUTE OR DEFEND: CLT shall have the right, but shall have no obligation, to prosecute or defend, in its own or the Coop's name, any actions or proceedings appropriate to the protection of its own or Coop's interest in the Leased Land. Whenever requested by CLT, Coop shall give CLT all reasonable aid in any such action or proceeding.

13.7 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.

13.8 HEADINGS AND TABLE OF CONTENTS: The headings, subheadings 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.

13.9 PARTIES BOUND: This Lease sets forth the entire agreement between CLT and Coop 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 CLT and Coop or their legal representatives or, in accordance with the provisions of this Lease, their successors in interest.

13.10 GOVERNING LAW: This Lease shall be interpreted in accordance with and governed by the laws of _____ [name of state]. 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 CLT or Coop.

13.11 RECORDING: The parties agree, as an alternative to the recording 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 CLT's attorneys. In no event shall such document state the rent or other charges payable by Coop 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.

IN WITNESS WHEREOF, the parties have executed this Lease at _____ on the day and year first written above.

EXHIBITS

Exhibit LEASED LAND

[This exhibit should present the full legal description of the leased land, exactly as it is described in the deed held by the CLT.]

Exhibit DEED

[Improvements only]

Exhibit ZONING

Exhibit: PERMITTED MORTGAGES

The provisions set forth in this Exhibit shall be understood to be provisions of Sections 7.4 and 7.5 of the Lease. All terminology used in this Exhibit shall have the meaning assigned to it in the Lease.

A. OBLIGATIONS OF PERMITTED MORTGAGEE. Any Permitted Mortgagee shall be bound by each of the following requirements unless the particular requirement is removed, contradicted or modified by a rider to this Lease signed by the Coop and the CLT to modify the terms of the Lease during the term of the Permitted Mortgage.

- 1.** If Permitted Mortgagee sends a notice of default to the Coop because the Coop has failed to comply with the terms of the Permitted Mortgage, the Permitted Mortgagee shall, at the same time, send a copy of that notice to the CLT. Upon receiving a copy of the notice of default and within that period of time in which the Coop has a right to cure such default (the “cure period”), the CLT shall have the right to cure the default on the Coop’s behalf, provided that all current payments due the Permitted Mortgagee since the notice of default was given are made to the Permitted Mortgagee.
- 2.** If, after the cure period has expired, the Permitted Mortgagee intends to accelerate the note secured by the Permitted Mortgage or begin foreclosure proceedings under the Permitted Mortgage, the Permitted Mortgagee shall first notify CLT of its intention to do so, and CLT shall then have the right, upon notifying the Permitted Mortgagee within thirty (30) days of receipt of such notice, to acquire the Permitted Mortgage by paying off the debt secured by the Permitted Mortgage.
- 3.** If the Permitted Mortgagee acquires title to the Improvements through foreclosure or acceptance of a deed in lieu of foreclosure, the Permitted Mortgagee shall give CLT written notice of such acquisition and CLT shall then have an option to purchase the Improvements from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage. To exercise this option to purchase, CLT must give written notice to the Permitted Mortgagee of CLT’s intent to purchase the Improvements within thirty (30) days following CLT’s receipt of the Permitted Mortgagee’s notice. CLT must then complete the purchase of the Improvements within sixty (60) days of having given written notice of its intent to purchase. If CLT does not

complete the purchase within this 60-day period, the Permitted Mortgagee shall be free to sell the Improvements to another person.

4. Nothing in the Permitted Mortgage or related documents shall be construed as giving Permitted Mortgagee a claim on CLT's interest in the Leased Land, or as assigning any form of liability to the CLT with regard to the Leased Land, the Improvements, or the Permitted Mortgage.
5. Nothing in the Permitted Mortgage or related documents shall be construed as rendering CLT or any subsequent Mortgagee of CLT's interest in this Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt secured by the Permitted Mortgage or any part thereof.
6. The Permitted Mortgagee shall not look to CLT or CLT's interest in the Leased Land, but will look solely to Coop, Coop's interest in the Leased Land, and the Improvements for the payment of the debt secured thereby or any part thereof. (It is the intention of the parties hereto that CLT's consent to such the Permitted Mortgage shall be without any liability on the part of CLT for any deficiency judgment.)
7. 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 Permitted Mortgagee in accordance with the provisions of Article 8 hereof.
8. CLT shall not be obligated to execute an assignment of the Lease Fee or other rent payable by Coop under the terms of this Lease.

B. RIGHTS OF PERMITTED MORTGAGEE. The rights of a Permitted Mortgagee as referenced under Section 7.5 of the Lease to which this Exhibit is attached shall be as set forth below.

1. Any Permitted Mortgagee shall, without further consent by CLT, have the right to (a) cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance being effective as if it had been performed by Coop; (b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Coop by this Lease or otherwise by law, subject to the provisions, if any, in the 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 a Permitted Mortgagee.
2. A Permitted Mortgagee shall not be required, as a condition to the exercise of its rights under the Lease, to assume personal liability for the payment and performance of the obligations of the Coop 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 Improvements and Leased Land. In the event Permitted Mortgagee does take possession of the Improvements and Leased Land and thereupon transfers such property, 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 CLT and Coop are 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.

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, CLT shall enter into a new lease for the Leased Land with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to CLT'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 CLT 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 the lessee thereunder. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Land 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 CLT, Coop and the Permitted Mortgagee.

5. The CLT 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 CLT sends a notice of default under the Lease to Coop, CLT shall also send a notice of Coop's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Section 13.2 of the Lease to the Permitted Mortgagee at the address which has been given by the Permitted Mortgagee to CLT by a written notice to CLT sent in the manner set forth in said Section 13.2 of the Lease.

7. 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 9, Sections 9.1 through 9.8 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. Before becoming effective, any amendments to this Lease must be approved in writing by Permitted Mortgagee, which approval shall not be unreasonably withheld. If Permitted Mortgagee has neither approved nor rejected a proposed amendment within 60 days of its submission to Permitted Mortgagee, then the proposed amendment shall be deemed to be approved.

Exhibit FIRST REFUSAL

Whenever any party under the 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 Lease receive a bona fide third party offer to purchase the property which 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 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 of 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 the Holder having a renewed right of first refusal in said property.

Other Exhibits to be Attached as Appropriate

Exhibit RESTRICTIONS [To be attached when necessary to stipulate use restrictions not included under Zoning]

Exhibit INITIAL APPRAISAL [To be attached if Lease contains an “appraisal-based” resale formula]