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**MODEL CLT-LIMITED EQUITY HOUSING COOPERATIVE LEASE**

**About this model lease:**

This model lease template was adapted from the 2011 Community Land Trust Technical Manual by the organization then known as the National Community Land Trust Network (now Grounded Solutions). This adaptation was created by the California Community Land Trust Network (CACLTN) to conform to California law and to integrate best practices recommended by CLT practitioners and advisors in California. However, this document should **not** be construed as legal advice and we can make **no guarantees** this lease is suitable to any particular situation as each housing project is unique and local laws may vary. Applicable laws of all kinds can also change. CACLTN encourages its CLT members to use this document as a general educational resource and to seek support from an attorney for each specific situation.

In the ground lease document below, underlining indicates that the phrase was added to or substantially revised from the national model technical manual model lease. Many minor edits were made that are not underlined.

In addition to this lease document, please see two associated commentary documents. First, see the section-by-section commentary on the model lease in Chapter 15-B of the 2011 Community Land Trust Technical Manual. The national model lease commentary is very helpful and applicable to this California adaptation. Second, this California adaptation is accompanied by its own California-specific commentary and resources provided to CACLTN members on our network's Resources webpage.

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**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Limited Equity Housing Cooperative - \_\_\_\_\_\_\_\_\_\_\_\_\_\_ Community Land Trust**

**GROUND LEASE**

THIS LEASE (“Lease”) is entered into this \_\_\_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_\_, between \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ COMMUNITY LAND TRUST (“CLT”) and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(“Cooperative” or “Coop”).

# RECITALS

**A.** The CLT is organized exclusively for charitable purposes, including the purpose of providing secure and affordable 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 Cooperative in furtherance of this purpose.

**C**. The Cooperative 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.** Cooperative 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 Cooperative and the resale of Cooperative shares by the Cooperative’s Members.

**E.** Cooperative and CLT agree that the terms of this Lease further their shared goals over an extended period of time.

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

# DEFINITIONS

Cooperative and CLT agree on the following definitions of key terms used in this Lease.

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

*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 Cooperative at Cooperative’s expense.

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

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

*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 residents whose rights are limited by the terms of the corporation’s bylaws and California Civil Code Section 817. The Cooperative that is a party to this Lease is a limited equity housing cooperative.

*Members:* the people who own memberships or shares in the Cooperative and hold proprietary leases to residential units in the Cooperative-owned Improvements.

*Permitted Mortgage*: A mortgage or deed of trust on the Improvements and the Cooperative’s interest in the Leased Land granted to a lender by the Cooperative with the CLT’s Permission. The Cooperative 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.

*Premises (or Leased Premises)*: the Leased Land and Improvements thereon.

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# ARTICLE 1: Leasing of Rights to the Land

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

1.2 MINERAL RIGHTS NOT LEASED TO COOP: The CLT reserves to itself all the mineral and other extractive resources of the Leased Land, including timber resources. This reservation shall not diminish the right of the Cooperative under this Lease to occupy and freely use the Leased Land. Any eventual extraction by CLT of minerals or other extractive resources shall be carried out with as little disruption to the Cooperative as is reasonably possible. In instances requiring a material disruption of the Cooperative's right of use and occupancy of the Leased Land, CLT shall not make said extraction without the consent of the Cooperative.

# 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: Cooperative 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 Cooperative 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 Cooperative 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 Cooperative 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 Cooperative shall give CLT written notice stating the Cooperative’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 Cooperative shall not be in default under this Lease or under any Permitted Mortgage on the last day of the original 99-year term.

When Cooperative has exercised the option to renew, Cooperative and CLT shall sign a memorandum stating that the option has been exercised, and at the request of either party, the Cooperative and CLT shall sign a full form restated lease or an amended and restated lease, as appropriate. The memorandum and restated lease shall comply with the requirements for a notice of lease as stated in Section 13.11 below. Promptly upon execution of a renewal memorandum and, if applicable, a restated lease, the CLT shall record any documents as necessary for the Cooperative to gain full advantages afforded by California Revenue and Taxation Code Section 402.1(a)(11) or any subsequent amended or recoding of such law.

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 Cooperative. 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 Cooperative 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.

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# 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 as that term is defined in California Civil Code Section 817, as said Code may be amended, in full compliance with the terms of this lease, the laws applicable to limited equity housing cooperatives, and the Cooperative's Articles of Incorporation and Bylaws, as they may be amended as permitted by this Lease and under applicable laws.

3.2 COOP AND ITS MEMBERS MAY USE THE IMPROVEMENTS ONLY FOR RESIDENTIAL AND RELATED PURPOSES: Cooperative 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 are permitted by and fully in compliance with local zoning law. Working from home and operating small businesses within residential units on the Leased Land shall be allowed provided it complies fully with local zoning law, other provisions of this Lease, and any applicable terms and conditions of the Cooperative's Bylaws and other policies. The CLT may reasonably require certificates of any applicable insurance of any resident who operates a home-based business on the Leased Land which entails customers, employees, or service providers entering the Leased Land and the business operator will promptly deliver such certificates or cease business operations until they provide such certificates. **[*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 Cooperative 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. Cooperative and its Members shall dispose of all waste in a safe and sanitary manner. Cooperative 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 Cooperative shall be responsible for the use of the Improvements and Leased Land by all Members and visitors 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, ASSIGNED, OR TRANSFERRED 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, Cooperative shall not sublease, assign, transfer, sell or otherwise convey any of Cooperative’s rights under this Lease, for any period of time, without the written permission of CLT. Cooperative agrees that CLT shall have the right to withhold such consent in order to further the purposes of this Lease and to ensure compliance with California Civil Code Section 817.

3.6 CLT HAS A RIGHT TO INSPECT THE LEASED LAND AND IMPROVEMENTS THEREON: The CLT may inspect any part of the Leased Land and the interiors of fully enclosed buildings or other improvements on the land at any reasonable time, after notifying the Cooperative at least 72 hours before the planned inspection. The notice of inspection shall specify whether the CLT intends to inspect interiors of any individual dwelling units, and if so, it shall be the Cooperative's responsibility to notify occupants of the respective dwelling units. 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 including the interiors of fully enclosed buildings, after making reasonable efforts to inform the Cooperative 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 and in such event the CLT must notify the Cooperative at least 24 hours before carrying out such inspection.

3.7 COOP AND ITS MEMBERS HAVE A RIGHT TO QUIET ENJOYMENT: The Cooperative 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.

3.8 HAZARDOUS MATERIAL. For purposes of this section, "Hazardous Material" means any material or substance that is now or hereafter prohibited or regulated by any law or that is now or hereafter designated by any governmental authority to be radioactive, toxic, hazardous or otherwise a danger to health, reproduction or the environment. Cooperative shall not store, use, dispose of, emit, or release any Hazardous Material in violation of Law. Cooperative shall immediately advise CLT in writing of any discovery or release of Hazardous Materials on the Premises and of any claims related to Hazardous Materials threatened by any third party against Cooperative, CLT or the Premises. Cooperative shall be solely responsible for, and shall defend, indemnify and hold CLT and its officers, employees, and directors harmless from and against, all claims, costs and liabilities, including attorneys' fees and costs, to the extent arising out Lessee's failure to notify CLT of the discovery or release of Hazardous Materials on the Premises in accordance with this Section, or of the use, storage, disposal or release of Hazardous Materials on or about the Premises by Cooperative or its agents, employees, or contractors.

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# ARTICLE 4: Lease Fee

4.1 AMOUNT OF LEASE FEE: The Cooperative shall pay a monthly Lease Fee in the amountof $\_\_\_\_, increased annually in accordance with Section 4.5, 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. If the Lease commences on a day other than the first of the month, a pro-rata portion of the Ground Rent shall be paid for the balance of the month at the time the Lease executed. The fee is to be paid to the CLT pursuant to any written instructions provided by the CLT.

4.3 HOW THE AMOUNT OF THE LEASE FEE HAS BEEN DETERMINED: ***[Optional to eliminate this section 4.3, see commentary document for discussion].***

4.4 CLT MAY REDUCE OR SUSPEND THE LEASE FEE TO IMPROVE AFFORDABILITY: CLT in its sole discretion 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 Cooperative’s use of the Leased Land. Any such reduction or suspension must be in writing and signed by CLT.

4.5 FEE INCREASES: The Lease Fee as stated in Section 4.1 above shall automatically increase by \_\_ percent (\_%) on January 1 of each year during the term of this Lease. CLT shall provide 30 days written notice of each such increase. In addition to said automatic fee increase, CLT, upon 30 days written notice, may increase the Lease Fee by an additional amount, up to a total increase in any calendar year not exceeding the annual increase of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [name of area or region] Consumer Price Index (CPI) for Wage Earners as maintained by the US Department of Labor, or its successor, for the year immediately prior to said increase, should CLT determine that it has incurred higher administrative costs as a result of its ownership of the Leased Land. Any such discretionary increases shall be determined by CLT, in its sole discretion, based on its actual costs of administering the Leased Land, including but not limited to the number of hours required to serve Cooperative which exceed the estimated number of hours upon which the initial ground rent was based. Any 30 day notice of an Lease Fee increase shall include written evidence of CLT's actual costs of administering the Lease showing the need for an increase above the standard annual percent increase. CLT shall have the right to increase the Lease Fee in excess of the limits described in this Section 4.5 in the event justifiable for recovering costs which are the responsibility of the Cooperative but which have been borne by CLT including, but not limited to, in the cases of events described in Sections 4.6, 5.4, 8.3, and 8.4.

4.6 LEASE FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED: Notwithstanding the Lease Fee increases stated in the preceding section, 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. Such increases may exceed those CPI-based increases described in the prior Section. 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 annually.

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 Cooperative to pay interest on the unpaid amount from the Due Date through and including the date such payment or installment is received by CLT. For purposes of this section any any other section of this Lease which provides the CLT the right to charge the Cooperative interest on amounts owed by the Cooperative to the CLT, the rate of interest shall be \_\_\_\_\_\_\_\_ ***[OPTION 1: at a rate commensurate with commercial mortgage interest rates offered by banks and other lending institutions at the time; OPTION 2: \_\_\_\_%; OPTION 3: specify a rate based 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 Cooperative 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 Cooperative. The CLT shall have, and the Cooperative 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: Cooperative 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 and assessments on the Improvements or Leased Land, CLT shall pass the bill to Cooperative and Cooperative shall promptly pay this bill.

5.3 COOP HAS A RIGHT TO CONTEST TAXES: Cooperative 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 Cooperative for assistance in this matter, CLT shall join in contesting such taxes. All costs of such proceedings shall be paid by Cooperative.

5.4 IF COOP FAILS TO PAY TAXES, CLT MAY INCREASE LEASE FEE: In the event that Cooperative fails to timely pay the taxes or other charges described in Section 5.1 above, CLT reserves the right to pay the taxes on Cooperative's behalf and CLT may increase Cooperative’s Lease Fee to offset the amount of taxes and other charges (including but not limited to late payment penalties and interest owed to the taxing authority and reasonable interest to the CLT) owed by Cooperative. In the event the CLT pays any property taxes or other charges described in 5.1 on the Cooperative's behalf, CLT shall provide Cooperative with a written notice that it has made such payments, and the notice shall include the amount paid by CLT, the amount of interest CLT is requesting from Cooperative, the documentation described in Section 5.5 below, and a request for payment from the Cooperative within 30 days. The Cooperative shall pay the taxes and other charges within 30 days of receipt of the notice.

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 Cooperative on any part of the Leased Land at any time during the term of this Lease (collectively, the “Improvements”) shall be property of the Cooperative. Title to the Improvements shall be and remain vested in the Cooperative. However, Cooperative’s rights of ownership are limited by certain provisions of this Lease, including those regarding the sale or leasing of the Improvements by the Cooperative and the CLT’s option to purchase the Improvements. In addition, Cooperative 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, Cooperative 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 Cooperative; (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, Cooperative shall submit a written request to the CLT. Such request shall include both a) a written statement of the reasons for undertaking the construction; and 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 Cooperative within two weeks of receipt of Cooperative’s request. The CLT then, within two weeks of receiving all necessary information (including any additional information it may have requested) shall give Cooperative either its written consent or a written objection accompanied by a statement of its reasons for not consenting. If the CLT fails to provide a written consent or written statement of reasons for not consenting, the Cooperative may provide a second written request for a decision and seek to draw the CLT’s attention to the matter through another method of communication (e.g. phone call, text message, email, US mail, or in-person communication) reasonably believed to be received by the CLT, and if no decision is provided by the CLT within one week after the second request for a decision, then the construction project shall be deemed approved by the CLT. In any event, before construction can begin, Cooperative shall provide CLT with copies of all necessary building permits not previously provided.

To facilitate any construction or land use permits or licenses, CLT agrees that, within ten (10) days after receipt of written request from Cooperative, it shall (at no expense to CLT) join in any and all applications for permits, licenses or other authorizations required by the City or any governmental or other body claiming jurisdiction in connection with any work Cooperative may do pursuant to this Land Lease, and shall also join in any grants of easements for public utilities useful or necessary to the proper economic development of the limited-equity housing cooperative and the affordable housing goals of Cooperative and CLT.

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. Cooperative 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. Cooperative shall take action to discharge such lien, whether by means of payment, deposit, bond, court order, or other means permitted by law. If Cooperative fails to discharge such lien within the 60-day period, then Cooperative shall immediately notify CLT of such failure. CLT shall have the right to discharge the lien by paying the amount in question. Cooperative may, at Cooperative’s expense, contest the validity of any such asserted lien, provided Cooperative 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 Cooperative upon demand.

6.5 COOP IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS: Cooperative 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. Cooperative 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. In the event that Cooperative fails to maintain the Leased Land and/or the Improvements as required by this Lease, CLT reserves the right to provide services or undertake repairs on Cooperative's behalf if, following sixty (60) days written notice to Cooperative of CLT's intent to provide services or undertake repairs, Cooperative has failed to remedy any defects to the Premises stated in the notice from CLT. The cost of any services provided or repairs undertaken by CLT shall be billed to Cooperative, which shall be payable with interest from the date the amount was paid by CLT to the date of reimbursement by the Cooperative. Cooperative shall pay the corresponding bill within thirty (30) days of receipt of notice of CLT's expenditures.

6.6 IMPROVEMENTS SHALL NOT BE REMOVED. WHEN LEASE ENDS, OWNERSHIP OF IMPROVEMENTS REVERTS TO CLT: The Improvements owned by the Cooperative shall not be removed from the Leased Land except as permitted in this Lease. 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 Cooperative and Permitted Mortgagee(s), as follows:

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

SECOND, CLT shall pay the Cooperative 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 Cooperative 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 Cooperative fails to clear such liens or charges, the balance due the Cooperative 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: Any mortgage or encumbrance against either the Improvements or the leasehold interest in the land may occur only with written consent 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 contemporaneously with this Lease by the Cooperative for the purpose of financing Cooperative’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 Cooperative seeks a loan that is to be secured by a mortgage on the Improvements and/or leasehold interest (to refinance an existing Permitted Mortgage or to finance Improvements repairs or for any other purpose), Cooperative must inform CLT, in writing, of the proposed terms and conditions of such mortgage loan at least 60 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, which approval or denial the CLT shall provide within 30 business days of receipt of the proposal or the additional information requested by the CLT, whichever is later. If the CLT does not provide its permission or denial of permission for the loan by its deadline provided herein, then the CLT will be presumed to consent to the loan.

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 Cooperative 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. Additionally, Exhibit: MORTGAGE RIDER 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. Cooperative and CLT recognize that it would be contrary to the purposes of this agreement if Cooperative could receive more than the Purchase Option Price as the result of the foreclosure of a Permitted Mortgage. Therefore, Cooperative hereby irrevocably assigns to CLT all net proceeds of sale of the Improvements that would otherwise have been payable to Cooperative and that exceed the amount of net proceeds that Cooperative would have received if the property had been sold for the Purchase Option Price, calculated as described in Sections 9.7 and 9.8 below. Cooperative 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 Cooperative, Cooperative hereby agrees to promptly pay such amount to CLT.

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

8.1 COOP ASSUMES ALL LIABILITY. Cooperative assumes all responsibility and liabilityrelated to Cooperative’s possession, occupancy and use of the Leased Land.

8.2 COOP MUST DEFEND CLT AGAINST ALL CLAIMS OF LIABILITY. Cooperative shall defend, indemnify and hold CLT and its officers, directors, members, employees, agents, and contractors harmless against all liability and claims of liability for injury or damage (including reasonable attorneys’ fees and costs) to person or property from any cause on or about the Leased Land. Cooperative 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 Cooperative’s responsibility or liability, the Cooperative 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. Cooperative shall, at Cooperative’s expense, keep the Improvements continuously insured against “all risks” of physical loss (including loss or damage by fire and the extended coverage hazards) 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 Cooperative of such required increase at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Cooperative shall assure CLT that the renewal includes such change. If Cooperative wishes to decrease the amount of replacement value to be insured, Cooperative 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 express written approval.

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

The Cooperative shall also, at its sole expense, maintain in full force and effect general liability insurance in the amount of $1 million per occurrence and $2 million in the aggregate.

The CLT shall be named as an additional insured in all insurance policies carried by the Cooperative as required by this Lease, and certificates of insurance shall be delivered to the CLT prior to the commencement of the Lease and at each anniversary date thereof. Cooperative shall provide CLT with copies of all policies and renewals of policies. All policies shall also contain endorsements providing that they shall not be canceled, reduced in amount or coverage or otherwise modified by the insurance carrier involved without at least thirty (30) days prior written notice to CLT. CLT shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance.

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 Cooperative 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 Cooperative 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.

In the event that Cooperative fails to pay any insurance premiums or other charges specified above, CLT reserves the right to make such payments on the Cooperative's behalf. The amount of any payments which are paid by CLT shall be payable by Cooperative to CLT, with interest upon it from the date the amount was paid by CLT to the date of reimbursement by the Cooperative. CLT shall provide Cooperative with written notice that it has made any such payments on behalf of Cooperative, and Cooperative shall pay the corresponding costs plus interest to Lessor within 30 days of receipt of notice of Lessor's payments.

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, Cooperative 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. Cooperative 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 Cooperative, 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 Cooperative cannot otherwise afford to cover the balance of the cost of repairs, then Cooperative 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 Cooperative and CLT.

If Cooperative and CLT cannot agree on a way of restoring the Improvements in the absence of adequate insurance proceeds, then Cooperative 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 Cooperative’s notice of intent to terminate. Upon termination, any insurance proceeds payable to Cooperative 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 Cooperative, 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 Cooperative 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 Cooperative’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.

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

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 adjust the Lease Fee proportional to the value of the land remaining.

# ARTICLE 9: Transfer of the Improvements

9.1 INTENT OF THIS ARTICLE IS TO PRESERVE USE BY LIMITED EQUITY HOUSING COOPERATIVE: Cooperative 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 or not practical, then use by such other public or charitable entity as will provide appropriate housing for low and moderate income people (collectively herein referred to as “Preferred Entities”). The intent of this Article 9 is also to comply with California Civil Code Section 817 and, if applicable, Section 817.2.

9.2 COOP MAY TRANSFER IMPROVEMENTS ONLY AS PROVIDED IN THIS ARTICLE 9: Cooperative may transfer the Improvements, for not more than the Purchase Option Price, only to the CLT, or, if the CLT does not exercise its option to purchase them as per Section 9.4, then to another purchaser pursuant to Section 9.5.

9.3 COOP SHALL GIVE NOTICE OF INTENT TO SELL: In the event that the Cooperative wishes to sell the Improvements to another entity, the Cooperative shall notify CLT in writing of such wish (the Intent-to-Sell Notice).

9.4. CLT HAS AN OPTION TO PURCHASE THE IMPROVEMENTS. Upon receipt of an Intent-to-Sell Notice from Cooperative, 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 Cooperative, in writing, of such election (the Notice of Exercise of Option) within sixty (60) days of receipt of the Intent-to-Sell Notice (the CLT’s Option Period). Having given such notice, CLT may either proceed to purchase the Improvements directly or may assign the Purchase Option to a Preferred Entity consistent with Section 9.1 above. The purchase (by CLT or CLT’s assignee) must be completed within 120 days of CLT’s Notice of Exercise of Option, or within such longer period of time as CLT and Cooperative agree is necessary to complete the transaction.

9.5 WHAT IF CLT DOES NOT PURCHASE IMPROVEMENTS: If CLT or its assignee does not exercise its option to purchase the Improvements or fails to close the Purchase according to Section 9.4 above, then Cooperative must make a reasonable effort to sell the improvements to a purchaser which it reasonably believes qualifies as a Preferred Entity and which is verified by CLT to be such an entity. The CLT shall have 30 days to investigate any proposed purchaser and verify it qualifies as a Preferred Entity. The sales price shall be no greater than the Purchase Option Price as defined in Section 9.7 below. If the Cooperative and CLT fail to identify a willing and capable purchaser which qualifies as a Preferred Entity, then the Cooperative may sell the Improvements to an entity other than a Preferred Entity, provided that upon request of CLT, Cooperative shall provide CLT with an affidavit signed by one of its principal officers authorized to sign by the board of directors of Cooperative and detailing Cooperative’s reasonable and diligent efforts to find a Preferred Entity that desires to purchase the Improvements and an attestation that it was unsuccessful in finding such a purchaser.

9.6 CONDITIONS APPLICABLE TO ANY SALE OF IMPROVEMENTS. Any purchaser of the Improvements will be contractually obligated to use the property for public or charitable purposes within the meaning of California Civil Code Section 817(d)(2). In any event involving the sale of the Improvements, the purchase price shall be no more than the Purchase Option Price as described in Sections 9.7 and 9.8 below.

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, the fair market value of the Improvements as determined by an appraisal of the land and improvements together as if they were not subject to this lease, as determined by a licensed third-party appraiser. If an appraisal must be conducted, the parties shall either (a) jointly appoint a licensed appraiser for the purpose of determining the fair market value; or (b) if the parties cannot agree on a joint licensed appraiser within fifteen (15) days, then each party may select one (1) licensed appraiser within fifteen (15) days thereafter and the licensed appraisers so selected shall within fifteen (15) days following their designation each provide an appraisal of the fair market value of the Property. Thereafter, the fair market value shall be the average of the appraisals. If the parties jointly select an appraiser, each shall pay 1/2 the cost of the appraiser. If the parties select separate appraisers, each shall pay the appraiser selected by that party.

9.8 HOW THE FORMULA PRICE IS DETERMINED: The Formula Price shall be equal to the sum of 1) All outstanding mortgages and liens against the Improvements; 2) the aggregate of the transfer value of all of the membership interests or shares, current of the date of sale and minus any outstanding obligations of the Members and 3) any transaction costs incurred by the selling party, including, but not limited to, escrow fees, transfer taxes and legal fees. For purposes of this section and this lease in general, “transfer value” shall have the same meaning as in California Civil Code Section 817(b)(1), as said law may be amended or recodified.

The parties agree that the Cooperative'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.

9.10. RIGHTS OF EACH PARTY TO BUY OUT THE OTHER. The attached Exhibit: FIRST REFUSAL applies to any sales of any interest in the Leased Premises (save for sales of individual membership shares) by CLT or the Cooperative to the extent that the provisions of this Article 9 do not apply, have been exhausted, or have been deemed legally unenforceable.

# ARTICLE 10: Cooperative’s Obligations and CLT’s Rights Regarding Operation Of the Cooperative

10.1 CLT MUST APPROVE AMENDMENTS TO COOP’S ARTICLES, BYLAWS, AND PROPRIETARY LEASE. In signing this Lease CLT thereby approves Cooperative’s Articles of Incorporation, Bylaws ***[OPTIONAL: as attached in Exhibit COOP’S BYLAWS]***, and the terms of the Cooperative’s Proprietary Lease ***[OPTIONAL: as attached in Exhibit PROPRIETARY LEASE]***. Any subsequent amendments to these documents must be proposed to CLT in writing and CLT shall have 30 days upon receipt of the proposed amendments to respond with any of the following: (a) approval of the amendments, (b) a request for an extension of time for seeking legal counsel regarding the amendments, which extension of time will not be unreasonably denied by Cooperative provided that an additional 30 days for CLT to approve or reject the amendments shall be presumed to be a reasonable extension of time, or (c) provide a written denial of the amendments, including a statement of the reasons for denial. The denial may be on the basis that the amendments are unclear; inconsistent with other provisions of the Cooperative’s organizing documents, policies, lease, membership agreement, or applicable laws; inconsistent with this Lease; prejudicial to the CLT’s interests; materially prejudicial to the interests of Members of the Cooperative; or inconsistent with the affordable housing goals of the parties as described in this Lease. Should CLT fail to timely respond to the Cooperative’s proposal of amendments, the Cooperative may provide a second written request for a decision and seek to draw the CLT’s attention to the matter through another method of communication (e.g. phone call, text message, email, US mail, or in-person communication) reasonably believed to be received by the CLT, and then if no decision is provided by the CLT within one week of the second request for approval of amendments, then the Cooperative’s proposed amendments shall be deemed approved.

10.2 COOP MUST COMPLY WITH ATTACHED INCOME AND AFFORDABILITY REQUIREMENTS. In selling shares and entering into proprietary leases for residential units, the Cooperative shall comply fully with the terms of the attached Exhibit: INCOME AND AFFORDABILITY REQUIREMENTS. CLT and Cooperative shall establish, and from time to time may revise, a mutually agreed upon process for determining income eligibility of prospective new residents, and CLT and Cooperative agree to work together in good faith to implement the process continually while this Lease is in effect. ***[Alternative language: CLT shall establish a process for determining income eligibility of prospective new residents and Cooperative shall cooperate with all of CLT’s requests for information from and communication with prospective residents pertaining to verifying income eligibility.]***

10.3 COOP MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS. Cooperative 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. The parties agree that any breach by Cooperative of this Section shall be deemed a material breach of this Lease.

10.4 FAILURE TO COMPLY WITH APPLICABLE REQUIREMENTS CONSTITUTES LEASE DEFAULT. Any failure by Cooperative to comply with the terms and conditions of its Bylaws or Proprietary Leases or Income and Affordability Requirements, loan agreements with Permitted Mortgagees, 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 MEMBER COMPLIANCE WITH INCOME VERIFICATION. It shall be a condition of Cooperative’s membership agreements, bylaws, and/or other policies as applicable that newly admitted Members must adhere to the income requirements detailed in the Exhibit: INCOME AND AFFORDABILITY REQUIREMENTS and that a member who made a material misrepresentation regarding their income eligibility may be terminated.

10.6 COOP MUST NOTIFY CLT OF TRANSFERS OF SHARES OR MEMBERSHIPS. Cooperative must give CLT written notice of any proposed transfers of Cooperative shares or membership interests at least \_\_\_\_\_ days prior to the proposed transfer. Notice must include the price and other terms of sale and evidence of the transferee’s income-eligibility. If the CLT does not provide a written objection to the proposed transfer within \_\_\_\_\_ days of receipt of notice of the proposed transfer, it shall be deemed approved by the CLT as of the proposed transfer date in the written notice provided to the CLT. If the CLT objects to a proposed transfer, it must provide a written notice of the objection, including reasons for the objection, prior to the proposed transfer date. Reasons for objection are limited to lack of evidence of income eligibility, reason to believe or suspect that a proposed transferee is ineligible based on income, evidence of failure to comply with fair housing laws in the selection process, or other reasons related to conditions of this Lease or applicable laws.

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 Cooperative must be approved in writing by CLT. The CLT may decline a sublease or may approve it with any terms or conditions of the sublease, including but not limited to limitations on the sublessee's rent and income. Should the CLT not respond to a proposal for a sublease, it shall be deemed a denial. ***[Alternative language: 10.7 CONDITIONS OF SUBLEASES. Any subleasing of any portion of the Leased Land or Improvements to any party other than a Member of the Cooperative is subject to income and affordability requirements applicable to all other residents. Such subleases, if they entail the subleasing of an entire residential unit, are subject to the following additional conditions: the duration of the sublease may not exceed six (6) months, unless otherwise approved by the CLT, and any one member may not sublease their unit more often than once every 2 years, unless otherwise approved by the CLT. Furthermore, the Cooperative must maintain a policy for reviewing and approving or rejecting subleases by Members to ensure compliance with the Cooperative’s own policies, this Lease, California Civil Code Section 817(c), and any other applicable laws. Provided the Cooperative abides by the restrictions and requirements described herein, the CLT will not have approval rights over subleases except to verify income eligibility of residents pursuant to Section 10.2 above or to approve subleases exceeding the limitations described herein.]***

10.8 COOP MUST SUBMIT BUDGETS TO CLT FOR APPROVAL BY CLT. For each fiscal year, Cooperative must submit a proposed budget to CLT at least sixty (60) days prior to the beginning of such year. Such budget must include all of the following items:

(a) The ground Rent under this Lease;

(b) Any loan payments owed by Lessee pursuant to the Loan Documents, if any;

(c) All taxes on the Property as required by this Lease;

(d) All insurance on the Property as required by this Lease;

(e) All Maintenance expenses associated with operating the Property as required by this Lease;

(f) All operational, management, and administrative costs of Lessee;

(g) Required monthly deposits into the Replacement Reserve, as required by this Lease; and

(h) Required monthly deposits into the Operating Reserve, as required by this Lease.

(i) Projected incomes from rent, fees, and other sources (if any), including a reasonable vacancy allowance and including rent increases if reasonably necessary to cover the projected expenses described in this Section.

In the event that the Cooperative submits a budget which is materially deficient in regard to any of the requirements described in this Lease, the CLT may require the Cooperative's board of directors to hold a special meeting within fifteen (15) days of CLT’s request for the purposes of adopting a budget which adequately provides for all of Cooperative's expenses and reserves as required by this Lease. The Cooperative shall submit to CLT a revised budget promptly after its special board meeting held for purposes of revising its budget, or if Cooperative does not provide a budget which adequately provides for all of the expenses described in this Section and which is acceptable to CLT then CLT and Cooperative will go to mediation (pursuant to Article 12 of this Lease) seeking to reach an agreement on a budget. CLT may terminate this Lease if Cooperative fails to adopt an adequate budget in accordance with this Lease by the start of the applicable fiscal year.

10.9 COOP MUST SUBMIT FINANCIAL REPORTS. Cooperative must provide CLT with quarterly financial reports for its operation, including a balance sheet, all income and expenses during the quarter, any balances due from Members or tenants of the Cooperative, and a comparison of actual revenue and expense with budgeted revenue and expense for the year to date. These reports are to be submitted within 30 days of the end of the quarter (e.g. the report for the first quarter of the year shall be due April 30th, etc.) or by another deadline as shall be agreed by the parties from time to time.

10.10 COOP MUST SUBMIT MINUTES. Cooperative must submit copies of minutes of all Membership and Board meetings (including meetings of committees of the board) to CLT within thirty days of such meetings.

10.11 MANAGEMENT CONTRACTS. Cooperative must submit to CLT any proposed contracts for property management. Such contracts shall not become binding unless approved in writing by CLT. In the event that CLT does not respond to a proposed management contract within 30 days, then the Cooperative may provide a second written request for a decision and seek to draw the CLT’s attention to the matter through another method of communication (e.g. phone call, text message, email, US mail, or in-person communication) reasonably believed to be received by the CLT, and if CLT does not respond within ten (10) days then it shall be deemed approved by the CLT.

10.12 REQUIRED RESERVES: Cooperative shall be required to establish and maintain the following reserve accounts, in the following amounts, as separate federally insured bank accounts:

(a) A Replacement Reserve which shall be funded adequately to provide for the replacement of all aspects of the Improvements in the regular course of business based on a 20-year estimate of replacement costs for all building systems as indicated by a Capital Reserve Study performed by a qualified professional acceptable to CLT and updated at least every three years, or a study performed internally by Cooperative for any three year period with the written consent of CLT.

(b) An Operating Reserve which shall be funded on a monthly basis in an amount equal to five percent (5%) of Cooperative's total rental income at full occupancy.

10.13 WHAT HAPPENS IF COOP DOES NOT ADHERE TO BUDGET: While insubstantial variances between the budget adopted pursuant to Section 10.8 and actual expenses and incomes of the Cooperative are acceptable, if Cooperative’s financial reports demonstrate any material variances from the approved budget, which in the opinion of CLT jeopardize the financial viability of the Cooperative, including but not limited to failure to adhere to the reserve requirements of Section 10.12, CLT may require Cooperative to increase rents of residents within the allowable limits of any applicable laws and the EXHIBIT: Income and Affordability Restrictions. Any rent increases mandated by CLT pursuant to this Section shall be subject to at least 60 days’ advance notice by CLT. Cooperative shall ensures its membership agreements, bylaws, and other policies as appropriate do not prohibit a rent increase upon 60 days’ written notice. ***[Optional to remove this Section 10.13 or revise in a number of ways to give Cooperative more autonomy.]***:

# 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 Cooperative fails to pay the Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Cooperative or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by CLT to Cooperative and Permitted Mortgagee. However, if Cooperative 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 (NON MONETARY) TERMS OF THE LEASE: It shall be an event of default if Cooperative fails to abide by any other requirement or restriction stated in this Lease, and such failure is not cured by Cooperative or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by CLT to Cooperative and Permitted Mortgagee. However, if Cooperative 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 Cooperative is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Cooperative 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 Cooperative’s interest in the Leased Land, or if a petition is filed for the reorganization of Cooperative under any provisions of the Bankruptcy Act now or hereafter enacted, or if Cooperative 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 Cooperative 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 Cooperative, its Members and any others claiming rights through Cooperative. In addition, CLT shall have such additional rights and remedies as are permitted by law to recover from Cooperative 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 Cooperative and any Permitted Mortgagee an amount equal to the Purchase Option Price calculated in accordance with Section 9.7 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 Cooperative’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, Cooperative 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 Cooperative 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 Cooperative 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 Cooperative to CLT properly specifying CLT’s failure to perform any such obligation.

# ARTICLE 12: MEDIATION

12.1 MEDIATION. The parties agree that any and all claims, disputes or other matters in question between the parties arising out of this Agreement or regarding the interpretation of this Agreement shall, on written demand of either party, be mediated within 30 days of the demand before a mutually agreeable neutral mediator selected by the Parties provided that the mediator has experience in real estate law and/or cooperative or collective organizations or enterprises. Mediation must be commenced before either party may initiate any legal proceeding in court or arbitration with the exception of injunctive relief. All costs of mediation shall be jointly borne by the Parties, unless by mutual agreement the parties agree otherwise with respect to a specific mediation session or series of mediation sessions. The mediation process shall continue until the dispute is resolved, until the Parties agree that mediation cannot resolve the dispute, or until such time as the mediator makes a finding that there is little to no possibility of resolution of the dispute through mediation.

# ARTICLE 13: GENERAL PROVISIONS

13.1 COOP’S MEMBERSHIP IN CLT: So long as CLT is an organization with members within the meaning of California Corporations Code Section 5056, CLT shall make available to all Cooperative’s Members a reasonable process for becoming and remaining voting members of the CLT, provided that to be admitted as a member or to maintain membership in the CLT may require payment of dues, fees, or assessments, among other requirements. ***[This Section should be omitted if CLT is not a membership organization and has no intention of becoming a membership organization]***

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)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (mailing address of CLT)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (email address of CLT)

with a copy to: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (CLT’s attorney)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (mailing address of CLT’s attorney)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (email address of CLT’s attorney)

If to Cooperative:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (name of Cooperative) at the address on record with the California Secretary of State or via email to: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

with a copy to:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(Cooperative’s attorney)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (mailing address of Cooperative’s attorney)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (email address of Cooperative’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. Email communication may be used for notices if the recipient acknowledges receipt and consents to receiving that particular notice or notices generally via email. ***[Optional alternative is to require consent to notices via email]***

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 Cooperative 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.

13.4 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article 9 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 Cooperative. 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 Cooperative of any requirement or restriction in this Lease, other than the failure of the Cooperative 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 Cooperative’s name, any actions or proceedings appropriate to the protection of its own or Cooperative’s interest in the Leased Land. Whenever requested by CLT, Cooperative 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 Cooperative 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 Cooperative 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 the State of California. 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 Cooperative.

13.11 RECORDING: The parties may mutually agree, as an alternative to the recording of this Lease, to execute a memorandum of lease in form recordable and complying with applicable law and reasonably satisfactory to CLT and Cooperative's respective attorneys similar to that of the attached Exhibit MEMORANDUM OF LEASE AGREEMENT. In any event, there shall be a recorded document conforming with California Revenue and Taxation Code Section 402.1(a)(11) or any subsequent amendment or recording of such law.

13.12 ATTORNEY’S FEES: In the event any legal proceeding is commenced by any party to this Lease to enforce any of the terms of this Lease or to interpret the Lease, the prevailing party in such proceeding shall be entitled to recover reasonable attorney’s fees.

13.14 DAYS REFERS TO CALENDAR DAYS. Unless otherwise specified, any reference to a number of days in this Lease shall refer to a number of calendar days including weekends and holidays.

IN WITNESS WHEREOF, the parties have executed this Lease at \_\_\_\_\_\_\_\_\_\_ on the

day and year first written above.

**LESSOR:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Community Land Trust, a California nonprofit public benefit corporation

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**LESSEE:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ a limited equity housing cooperative organized as a California nonprofit [public benefit] [mutual benefit] corporation

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**EXHIBITS**

# Exhibit: LEASED LAND

[This exhibit should describe the leased land, exactly as it is described in the deed held by the CLT. It can also include a street address and other description, or if not the entire parcel of land is leased then it can contain a map or description depicting what is included in the lease.]

# Exhibit: DEED

[A copy of the deed conveying the Improvements only from CLT to LEHC]

# Exhibit: INCOME AND AFFORDABILITY REQUIREMENTS

[Insert here any income and affordability requirements imposed by a funder, or if none, then the CLT may provide its own here.]

# 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 Cooperative and the CLT to modify the terms of the Lease during the term of the Permitted Mortgage.

**1.** If a Permitted Mortgagee sends a notice of default to the Cooperative because the Cooperative 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 Cooperative has a right to cure such default (the “cure period”), the CLT shall have the right to cure the default on the Cooperative’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 \_\_\_\_\_ ***[fill in a number, e.g. 30; the number will need to be negotiated with the lender]*** 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 \_\_\_\_\_ ***[fill in a number, e.g. 60; the number will need to be negotiated with the lender]*** days of having given written notice of its intent to purchase. If CLT does not complete the purchase within this \_\_ ***[fill in same number as in previous blank]***-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 Cooperative, Cooperative’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 Cooperative 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, but not the obligation, 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 Cooperative; (b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Cooperative 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 Cooperative 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 Cooperative 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 approved by the Permitted Mortgagee, so long as that Permitted Mortgagee owns any interest in the leasehold estate 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 same 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, Cooperative 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 Cooperative, CLT shall also send a notice of Cooperative’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: MORTGAGE RIDER

**Community Land Trust Ground Lease Rider**

THIS COMMUNITY LAND TRUST GROUND LEASE RIDER (the “Rider”) is made this \_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_, and amends and supplements a certain ground lease (“CLT Ground Lease”) dated \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that is by and between \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Community Land Trust as lessor (herein referred to as the “Lessor” but may otherwise be referred to in the CLT Ground Lease as the “CLT”) and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, as lessee (herein referred to as the “Lessee”). This Rider shall be deemed incorporated into the CLT Ground Lease, and the CLT Ground Lease as amended by this Rider, shall hereafter be referred to as the “Lease” unless otherwise indicated. All terms used but not otherwise defined in this Rider shall have the meaning given them in the CLT Ground Lease.

The CLT Ground Lease is a long-term lease of the Lessor’s fee interest in the land located at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, referred to herein as the “Leased Land,” as improved by a residential structure or unit, as more particularly defined under the CLT Ground Lease as the “Improvements.” The Leased Land and the Improvements are collectively referred to herein as the “Leased Premises.”

This Rider amends the Lease for the purpose of enabling the Lessee to obtain financing in the form of a mortgage or deed of trust given this \_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_\_\_ by Lessee to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the “Specified Mortgage”), and the interest of the Specified Mortgagee in the Leased Premises as secured by such mortgage or deed of trust may be referred to herein as the “Leasehold Estate.” The Specified Mortgage is recognized by Lessor as a “Mortgage” as defined under the Lease, and the holder of the Specified Mortgage (the “Specified Mortgagee”) is recognized as a “Permitted Mortgagee” as defined under the Lease.

**ADDITIONAL COVENANTS**. Notwithstanding anything to the contrary contained in the Lease, and in addition to the covenants and agreements made in the Lease, the Lessor and the Lessee further covenant and agree, so long (but only so long) as the Specified Mortgagee, its successors and assigns shall have an interest in the Leased Premises, as a holder of the Specified Mortgage or as an owner of the Lessee’s interest pursuant to any sale after or in lieu of foreclosure, the following provisions shall apply to the Lease as modifications thereof:

1. **No Assignment or Transfer**. The making of the Specified Mortgage shall not be deemed to constitute an assignment or transfer of the Lease or Leasehold Estate so as to require the Specified Mortgagee to assume the performance of any of the Lessee’s obligations under the Lease. The foregoing sentence shall not be construed to invalidate other Lease provisions regarding the requirement that Members or other Persons of Low Income occupy the Leased Premises in accordance with the Permitted Use (as defined in the Lease).
2. **Status of the Fee Estate**. The Lessor represents and warrants that there is no existing mortgage on the fee estate, and so long as the Specified Mortgage shall remain on the Leased Premises, the Lessor and the Lessee shall not subordinate the Lease to any mortgage or lien that may hereafter be placed on the fee estate. Notwithstanding the foregoing, a state- or local-government entity (“Government Entity”) may hold a prior recorded interest (represented by recorded covenants, a mortgage or deed of trust, other lien) on the fee estate **if** the Government Entity has agreed that in the event it (including its successors and assigns) succeeds to the interest of the Lessor under the Lease by any remedy available to the Government Entity by law or pursuant to its lien, the Government Entity shall recognize all the terms of the Lease and this Rider as though the Government Entity were acting as the Lessor. Such recognition must include, but is not limited to, the provisions of this Rider whereby all provisions of the Lease regarding (a) occupancy of the Leased Premises by the Members or other Persons of Low Income as their primary residences, (b) limitation on assignment of, or sublease under, the Proprietary Leases, (c) the price at which the Leasehold Estate may be transferred, and (d) the income of successive transferees, assignees or successors, of both the Leased Premises and of the Shares shall, in the event of foreclosure or assignment in lieu of foreclosure of the Specified Mortgage, be of no further force or effect with respect to such Specified Mortgagee or its affiliated successive transferees, assignees or successors. Further, in such event of the Government Entity succeeding to the interests of the Lessor, the Lessee hereby agrees to recognize the Government Entity as exercising all rights and privileges of the Government Entity as lessor under the Lease and this Rider. Such agreement by the Government Entity may be evidenced by the agreement between the Government Entity and the Lessor under which the Government Entity’s prior recorded interest is derived. Irrespective of any interest by a Government Entity, the Specified Mortgage shall constitute a first leasehold lien on the Leased Premises, and shall have priority over the Lessor’s reversionary interest. If the Lessor conveys title to the Leased Land while the Specified Mortgage remains on the Leased Premises, the Lease shall remain in effect with the same priority thereto.
3. **Termination, Forfeiture and Modification of Lease**. There shall be no termination, forfeiture, or material modification of the Lease, except as provided in this Rider, without the approval of the Specified Mortgagee. The Lessor and Lessee shall amend the Lease from time to time as reasonably requested by the Specified Mortgagee, as long as the requested changes do not change the periodic fee, charge or payment due the Lessor for the rights accorded the Lessee under the Lease (referred to herein as the “Ground Lease Rent”), and do not materially or adversely affect the rights of Lessor or Lessee or their respective interests in the Leased Premises. An adjustment of the Ground Lease Rent may be made by the Lessor as provided in the Lease, without prior approval of the Specified Mortgagee, so long as written notice has been delivered to the Specified Mortgagee at least 60 days prior to the effective date of such adjustment with respect to adjustments other than those (i) that were scheduled at the time the Specified Mortgage was given, and (ii) reflecting routine, periodic updates to variable expenses such as property taxes and liability insurance premiums and/or an inflation allowance increase; provided, however, that the Specified Mortgagee shall have the right to arbitrate (as provided herein) any dispute as to an adjustment of the Ground Lease Rent. Should Lessor and Lessee wish to make any material modifications to the Lease, they must provide at least 60 days notice to Specified Mortgagee. Specified Mortgagee must respond within 60 days with an approval or a rejection, and in the case of the rejection, Specified Mortgagee must provide a written explanation of the reasoning for its rejection. Specified Mortgagee will not unreasonably withhold its consent to modifications of the Lease. Should Specified Mortgagee fail to respond to a proposed Lease amendment within 60 days, then the amendment shall be deemed approved.
4. **Rights of Specified Mortgagee.** Specified Mortgagee shall, without further consent by the Lessor, have the right, but not the obligation, to (a) cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance being effective as if it had been performed by Lessee; (b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Lessee by this Lease or otherwise by law, subject to the provisions, if any, in the Specified 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 Specified Mortgagee. Specified 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 Lessee under the Lease. Any such payment or performance or other act by Specified Mortgagee under the Lease shall not be construed as an agreement by Specified Mortgagee to assume such personal liability except to the extent Specified Mortgagee actually takes possession of the Leasehold Estate. In the event Specified Mortgagee does take possession of the Leasehold Estate 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 Specified Mortgagee shall automatically be released from personal liability under the Lease.
5. **Specified Mortgagee Lease**. The Lessor agrees that in the event of termination of this Lease by reason of any default by Lessee, or if Lessee rejects the Lease in a bankruptcy proceeding, or if the Lessee’s interest in the Lease is otherwise terminated, forfeited or surrendered as so provided for in the Lease, and subject to the rights herein granted to Specified Mortgagee or its designee, the Lessor will enter into a new lease (the “Specified Mortgagee Lease”) of the Leased Premises with Specified Mortgagee or its designee, for the remainder of the term, effective as of the date of such termination, at the same Ground Lease Rent and upon the terms, provisions, covenants, and agreements as contained in the Lease and subject to the rights, if any, of any parties then in possession of any part of the Premises, provided:
   1. Specified Mortgagee or its designee shall make written request upon the Lessor for the execution of such a Specified Mortgagee Lease within 60 days after the date of such termination and shall, within 15 days after receipt from Lessor of a written statement of all sums then due to Lessor under the Lease, pay to Lessor all such sums (with the exception of sums due by reason of Lessee’s indemnification obligations set forth in Section 24 of the Lease);
   2. Specified Mortgagee or its designee shall pay to the Lessor at the time of the execution and delivery of such a Specified Mortgage Lease any and all sums that at the time of the execution and delivery thereof, would be due pursuant to the Lease but for the termination, and in addition, all reasonable attorney’s fees and expenses which, and to the extent such amounts would have been payable by Lessee under the Lease, the Lessor actually incurred;
   3. Specified Mortgagee or its designee shall perform and observe all covenants contained in the Specified Mortgage Lease on Lessee’s part to be performed and shall further remedy any other conditions which Lessee was obligated to perform under the terms of the Lease, except for any incurable Lessee default, during such time period commencing with the date of execution of the Specified Mortgagee Lease and terminating upon the expiration or earlier termination of the Specified Mortgagee Lease or the abandonment or surrender of possession of the Premises under the Specified Mortgagee Lease; any subleases which may have theretofore been assigned and transferred by Lessee to the Lessor, as security under the Lease, shall thereupon be deemed to be held by the Lessor as security for the performance of all of the obligations of the Specified Mortgagee under the Specified Mortgagee Lease;
   4. The Specified Mortgagee or its designee, as lessee under such Specified Mortgagee Lease shall have the same right, title and interests in and to the Leased Premises as Lessee had under the Lease.
6. **Mortgage Default or Foreclosure**. Subject to the following, upon the occurrence of an event of default under the Specified Mortgage (as determined by the Specified Mortgagee—an “Event of Default”), and without the consent of the Lessor, the Specified Mortgagee shall be permitted to accelerate its note, foreclose on the Specified Mortgage, take an assignment in lieu of foreclosure, or exercise its other remedies for default. Further:
   1. Notice of Default. Upon the occurrence of an Event of Default under the Specified Mortgage, Specified Mortgagee shall, upon serving Lessee with any notice of default under the Specified Mortgage, simultaneously serve a copy of such notice upon the Lessor, provided that neither giving nor failing to give such notice to Lessor will affect the validity of any notice given by Specified Mortgagee to Lessee. The Lessee shall immediately notify the Lessor of such Event of Default and shall submit to Lessor copies of all notices the Lessee received from the Specified Mortgagee relating thereto. The Specified Mortgagee and the Lessor shall endeavor to communicate and cooperate in efforts to deal with the circumstances of the Event of Default and the actions the parties may take relating thereto.
   2. Lessor’s Right to Cure. The Lessee and the Specified Mortgagee agree that the Lessor shall have the right, but not the obligation, to cure an Event of Default in the Lessee’s name and on the Lessee’s behalf within the prescribed cure period under the Specified Mortgage and Specified Mortgagee shall accept such performance by or at the instigation of the Lessor as if the same had been done by Lessee. If after the cure period has expired, such cure is not effective and continuing, nothing herein shall be construed to prevent or delay the Specified Mortgagee from its pursuit of foreclosure and any other available remedies. The Lessee shall be responsible to the Lessor for all payments made, and expenses incurred, by the Lessor in curing or attempting to cure such default.
   3. Lessor’s Right to Acquire Mortgage. If, after the cure period has expired, the Specified Mortgagee intends to accelerate the note secured by the Specified Mortgage or begin foreclosure proceedings under the Specified Mortgage, the Specified Mortgagee shall first notify the Lessor of its intention to do so. If, within fifteen (15) days of receipt of the notice, Lessor notifies Specified Mortgagee of its intention to acquire the Specified Mortgage, then Lessor shall have the right to do so by paying off the debt secured by the Specified Mortgage within thirty (30) days of receipt of the notice of Specified Mortgagee's intention to foreclose.
   4. Lessor’s Option to Purchase Leasehold Estate. In the event Lessor elects not to cure an Event of Default, the Lessor shall have an option to purchase the Leasehold Estate from the Specified Mortgagee (“Lessor’s Option to Purchase”).
      1. If the Specified Mortgagee acquires title to the Leasehold Estate through foreclosure or acceptance of a deed in lieu of foreclosure, the Specified Mortgagee shall give the Lessor written notice of Lessor’s Option to Purchase the Leasehold Estate (the “Mortgagee Option Notice”) within sixty (60) days following such acquisition and the Lessor shall then have an option to purchase Leasehold Estate from the Specified Mortgagee for the full amount owing to the Specified Mortgagee under the Specified Mortgage as of the date of closing of the Lessor’s purchase; provided, however, the Specified Mortgagee may give such written notice following the occurrence of an Event of Default under the Specified Mortgage and prior to the completion of foreclosure proceedings. To exercise Lessor’s Option to Purchase, the Lessor must give written notice to the Specified Mortgagee of the Lessor’s intent to purchase the Leasehold Estate (the “Lessor Option Notice”) within forty-five (45) days following the Lessor’s receipt of the Mortgagee Option Notice. The Lessor must complete the purchase of the Leasehold Estate within sixty (60) days of giving the Lessor Option Notice.
      2. If the Lessor does not complete the purchase within the aforementioned 60-day period, the Specified Mortgagee shall be free to sell its interest to another person or entity. In the event the Mortgagee Option Notice is given prior to the completion of foreclosure proceedings by the Specified Mortgagee, the Lessor may delay giving the Lessor Option Notice until a date that is not later than 30 days following written notice from the Specified Mortgagee of its acquisition of title to its interest in the Leasehold Estate on the Leased Premises. Further, if the Lessor does not complete the purchase within the allotted 60 days, the Lessor agrees to pay to the Specified Mortgagee its reasonable costs of holding its interest in the Leasehold Estate from the date of the Lessor Option Notice until the expiration of such 60-day period.
      3. In the event of assignment in lieu of foreclosure, which results in the conveyance of the Leasehold Estate on the Leased Premises from the Lessee, and Lessor has either not exercised its option to purchase or Leasehold Estate or has failed to close on a sale of the Leasehold Estate, then Lessor has the right to increase the Ground Lease Rent to reflect the then current fair market rental value. The Specified Mortgagee and the Lessor shall attempt to resolve any dispute concerning such adjustment of the Ground Lease Rent, through the normal interaction of the parties, or through formal mediation as the case may warrant. If the dispute remains unresolved, the Specified Mortgagee and the Lessor shall submit the dispute as to the fair market rental value to binding arbitration.
   5. In the event the Specified Mortgagee acquires title to the Leasehold Estate on the Leased Premises through foreclosure or assignment in lieu of foreclosure of the Specified Mortgage, all provisions of the Lease regarding (a) occupancy of the Leased Premises by the Lessee, (b) any limitation on the assignment of, or sublease under, the Lease, (c) any obligation to target certain populations in marketing the Leasehold Estate to potential transferees, (d) the price at which the Leasehold Estate on the Leased Premises may be transferred, and (e) the income of successive transferees, and their successors and assigns, shall be of no further force or effect with respect to such Specified Mortgagee or its affiliated successive transferees, assignees or successors, provided that in the event such Lease provisions are invalidated, the Lessor may require such purchaser, transferee or assignee to pay ground lease rent that is at fair market rates. In such event, the fair market rental value will be mutually agreed between Specified Mortgagee and Lessor in accordance with this Rider, as described in the previous paragraph 6.d.iii.
7. **Lease Default**. There shall be no forfeiture or termination of the Lease except for (i) the nonpayment of amounts due under the Lease including rent owed to Lessor and other expenses which may be owed to Lessor or to third parties (e.g. property tax payments, insurance premiums, etc.), and (ii) violation of one or more provisions of the Lease addressing the following: (a) prohibition or restrictions on the sale, transfer or assignment of either the Lessee’s interest or Membership shares (however, the Lessor may require such transferee to agree to assume the transferor’s obligations under the Lease), and (b) requirement that Members or other Persons of Low Income occupy the Leased Premises in accordance with the Permitted Use. Provided, however, such forfeiture or termination shall be subject to the Specified Mortgagee’s right to cure a monetary default, or otherwise foreclose or take an assignment of the Leasehold Estate in lieu of foreclosure with respect to the Lessee’s monetary or non-monetary default. Notwithstanding the foregoing, nothing herein shall be construed to require the Specified Mortgagee to cure any non-monetary default.
   1. Specified Mortgagee Cure Period. For monetary defaults, Mortgagee shall have sixty (60) days measured from expiration of Lessee’s cure period to remedy or cause to be remedied such default. For non-monetary defaults, following the expiration of Lessee’s cure period, Specified Mortgagee shall have such further time as it shall reasonably need so long as it proceeds with reasonable diligence to cure such default. If Specified Mortgagee cannot reasonably cure a default without possession of the Leased Premises, Specified Mortgagee shall be entitled to such additional time as it shall need to consummate a foreclosure or an assignment in lieu of foreclosure and obtain such possession, and a further ninety (90) days after Specified Mortgagee, or its designee, has obtained possession, to cure such default, which may be extended to one hundred twenty (120) days, provided Specified Mortgagee timely exercises its cure rights for the Default.
   2. Specified Mortgagee Right to Postpone Lease Termination. The Specified Mortgagee shall become subrogated to any and all rights of the Lessee with respect to such curing of a default, and shall have the right to postpone or extend the specified date for termination of the Lease for a period not to exceed twelve [(12) months], provided that within 90 days of the date of such notice of termination the Specified Mortgagee shall have notified the Lessor of its desire to nullify such notice and shall have paid to the Lessor all Ground Lease Rent and other payments therein provided for, and then in default under the Lease, and shall have complied or shall commence the work of complying with all of the other requirements of this Lease, if any are then in default, and shall prosecute the same to completion with reasonable diligence, then in such event the Lessor shall not be entitled to terminate this Lease and any notice of termination theretofore given shall be void and of no effect. If the Lessee’s default shall be cured as provided in the Lease, and the Specified Mortgagee shall discontinue its foreclosure or assignment in lieu of foreclosure proceedings, the Lease shall continue in full force and effect as if the Lessee had not defaulted. A default by the Lessee under the Lease shall constitute a default under the Specified Mortgage.
8. **Lease Default Notice**. Notwithstanding the notice requirements provided in the Lease, no default notice by the Lessor shall be deemed to have been given unless and until a copy thereof shall have been so given to the Specified Mortgagee.
9. **Insurance**. All insurance policies covering the Improvements shall by endorsement name the Specified Mortgagee as an additional insured and loss payee, and provide the Specified Mortgagee with 30 days’ cancellation notice.
10. **Casualty and Condemnation**. If the Leased Premises are destroyed or taken to such an extent that the Lease is to be terminated, the insurance proceeds or condemnation award, as the case may be, shall be applied first in an amount sufficient to satisfy the Specified Mortgage. Upon the termination of the Lease as a result of a partial destruction or a condemnation of less than the entire Leased Premises, the total insurance proceeds or condemnation award, as the case may be, shall be paid to an appointed trustee, who shall first apply such insurance proceeds or condemnation award in accordance with the Specified Mortgage for restoration of the Improvements (if such trustee determines that the Improvements may reasonably be restored to a residential use consistent with the Lease), with the balance of such insurance proceeds or condemnation award to be allocated between the Lessor and Lessee as otherwise provided in the Lease. The Specified Mortgagee shall be entitled to participate in (i) the adjustment of all casualty losses and (ii) all condemnation proceedings and settlement discussions. Any insurance proceeds or condemnation award shall be applied in accordance with the Specified Mortgage. The Specified Mortgagee shall also be entitled to participate in the adjustment of the Ground Lease Rent as a result of a partial destruction or taking.
11. **Force Majeure**. The Lessee shall not be in default where performance is delayed or prevented by “Acts of God,” war, civil commotion, natural disasters, epidemics or pandemics, strikes, labor disputes, or the like.
12. **Easements and Alterations**. Additions to and alternations in the Improvements may be made as provided in the Lease, as long as the value of the Leased Premises is not diminished. The Lessor, as owner of the fee interest in the Leased Land, shall join in all easements, permits and applications necessary for such development of the Leased Premises as is permitted under the Lease, provided that the Lessor shall have no liability or obligation under such easement, permit, or application.
13. **Arbitration and Legal Proceedings**. The Specified Mortgagee shall have the right to participate in any arbitration or legal proceedings between the Lessor and the Lessee.
14. **Merger**. If the estates of the Lessor and Lessee are at any time owned by the same person, so long as the Specified Mortgagee has any interest in the security or in the Specified Mortgage, such person shall take all necessary steps to ensure that the Specified Mortgage constitutes a first lien on the combined estate.
15. **Sublease**. There shall be no modification, cancellation, or surrender of any subleases, or prepayment of rent thereunder without the consent of the Specified Mortgagee. If the Specified Mortgagee forecloses on the Leased Premises, or takes an assignment in lieu of foreclosure, all subtenants shall attorn to such Specified Mortgagee or its assignee.
16. **Estoppel Certificate**. The Lessor shall, from time to time, with 10 days’ written notice from the Specified Mortgagee, certify by written instrument, duly executed and acknowledged, to such Specified Mortgagee that the Lease has not been amended, the Lease is in full force and effect, that neither party is in default thereunder, and shall certify as to the existence of any offsets, counterclaims or defenses on the part of the Lessee.
17. **Conflict**. In the event of a conflict between the terms and provisions of this Rider and the terms and provisions of the Lease, the terms and provisions of this Rider shall control.

BY SIGNING BELOW, the Lessor and the Lessee accept and agree to the terms and conditions of this Rider.

IN WITNESS WHEREOF, the parties have executed this Rider at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, on the day and year first written above.

**LESSOR:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Community Land Trust, a California nonprofit public benefit corporation

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**LESSEE:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ a limited equity housing cooperative organized as a California nonprofit [public benefit] [mutual benefit] corporation

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**MORTGAGEE:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Exhibit: LETTER OF STIPULATION FROM COOPERATIVE

**TO: \_\_\_\_\_\_\_\_\_\_\_\_\_ Community Land Trust**

**DATE:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_**

This letter is given to \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“CLT”) to become an exhibit to a 99-year ground lease (“Lease”) between CLT and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Cooperative ("Cooperative") which will become the owner of buildings located at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. \_\_\_\_\_\_\_\_\_\_\_\_\_, CA (“Property”) upon signing the lease. We intend to purchase the building(s) and other structures (if any) located at the Property. We are agreeing to abide by the lease freely, without pressure from other parties, and with the intent of receiving certain benefits, as described here.

We understand the present and future effects of these terms and conditions on our rights of ownership of the building. We have discussed these terms and conditions with our members for the purposes of increasing their understanding and acceptance of these terms and conditions.

We understand that the following documents describe the special nature of the purchase of the building to be cooperatively owned:

1. this letter;
2. a Deed of the Property to the Coop and other title information;
3. the Lease to which this is an exhibit;
4. the Articles of Incorporation and Bylaws of CLT;
5. the Articles of Incorporation, Bylaws, membership agreement, and policies of the Cooperative (“Cooperative Documents”);
6. the Occupancy Agreement;
7. other policies of CLT and any conditions of funding of the Property.

The purpose of this Letter of Stipulation is to show to anyone who examines this transaction in the future that we understand and agree to the goals, terms, and conditions set out in these documents, as follows:

1. CLT was founded to develop and preserve long-term affordable homeownership for people of limited resources.
2. The goal of CLT is to encourage the transfer of decent, affordable housing between the people of low and moderate income, as defined in the lease, through the long-term leasing of the land under the housing.
3. CLT is the owner of the land on which the improvements we are buying are located.
4. The Cooperative is the owner of all improvements on the land.
5. Our members are purchasing a unit in the housing owned by the Cooperative. The price at which they may resell this unit is limited by a resale formula in the Lease and the Cooperative Documents.
6. We eagerly and freely accept the leasing and ownership of the Property on these terms and conditions.
7. Both CLT and the Cooperative agree that the terms and conditions will make it more likely that, if the home is sold at some time in the future, it will be sold, either directly or indirectly, at an affordable price to another low or moderate income person.
8. Our members intend to occupy their units according to the terms of the Lease. CLT will encourage this occupancy in all reasonable ways and provide the Coop the rights and privileges normally associated with homeownership as stated in the Ground Lease.
9. Should we decide to sell the building, CLT will have the right to purchase it before it is offered to anyone else. CLT may also approve a sale at a limited price to an eligible cooperative, nonprofit, or public entity serving low income persons or households.
10. The limited price at which CLT or another purchaser would purchase the Property is referred to in the Lease as the Purchase Option Price. The maximum Purchase Option Price shall be the initial purchase price paid by the Cooperative, adjusted for the value of approved improvements and increases in membership share transfer value in accordance with the Cooperative’s bylaws and California Civil Code Section 817. The Purchase Option Price may be less than the maximum amount determined by the resale formula if the market value is lower than this maximum amount. This limitation on the resale price ensures fair compensation to the Cooperative and the affordability of the property to another low or moderate income household.
11. Although CLT has the first option for repurchase of the improvements, we both intend that the Property remain in continual occupancy by the Cooperative and its changing membership over time. It is our desire for reasons both of private motivation and sound public policy that the terms of the lease and other documents be honored. We consider these terms fair and equitable to the Coop. I am signing this letter as President of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Cooperative, but it represents the understanding and the approval of the full board of directors of the Cooperative after discussion with all members of the Cooperative.

Sincerely,

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, President of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Cooperative

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# Exhibit: LETTER FROM COOPERATIVE'S ATTORNEY

To: \_\_\_\_\_\_\_ Community Land Trust

To Whom It May Concern,

I, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, am an attorney admitted to practice law in California. I have been independently employed by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Cooperative (hereinafter “the Client”) who intends to enter into a long term ground lease of real property located at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. In addition, Client intends to enter into a contract to purchase the improvements on that property.

In connection with the contemplated leasing of the land and purchase of improvements, I discussed the Client’s goals and concerns and I reviewed with the Client a proposed lease agreement.

I have reasonably informed the Client of the present and foreseeable risks and

legal consequences of the contemplated transaction. Should the Client enter into the aforesaid transaction, they are doing so in reliance on their own judgment and upon their investigation of the facts and circumstances. The advice and information provided by me was an integral element of such investigation.

Sincerely,

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, [Name of Attorney] Attorney at Law

# Exhibit FIRST REFUSAL - [*THIS SECTION MAY BE MODIFIED TO EXTEND TIMELINE*]

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.

# Exhibit: MEMORANDUM OF LEASE

[continued on next page]

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

*[Name of organization or their legal representative]*

*[street address]*

*[name of city]*, California *[zipcode]*

Attention: *[name of legal representative]*

(Above Space for Recorder's Use Only)

**MEMORANDUM OF LEASE AGREEMENT**

THIS MEMORANDUM OF LEASE AGREEMENT (“Memorandum”) is made and entered into effective as of \_\_\_\_\_\_\_\_\_\_\_\_ *[year]* by and between *[name of CLT]*, a California nonprofit corporation (“Lessor”), and *[name of Cooperative]*, a California nonprofit corporation (“Lessee”).

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee hereby declare and agree as follows:

1. Lessor and Lessee have entered into the certain unrecorded ground lease of even date herewith (the “Agreement”), for the purpose of providing for, among other things, the management and operation of certain improved real property located in the City of *[City of property]*, County of *[County of property]*, State of California, and more particularly described on Exhibit A attached hereto (the “Property”).
2. The Agreement, among other things, (i) restricts under certain circumstances the rights of the owners to sell, transfer, assign, or encumber their respective interests in the Property; (ii) restricts under certain circumstances the rights of each party to incur expenses or to enter into contracts or other agreements in connection therewith on behalf of the other; (iii) is of a duration of 99 years, and is renewable for an additional term of 99 years, (iv) contains restrictions on the use of the property as only that of affordable housing for lower and moderate income persons as operated by certain types of entities; and (v) provides each party with the right of first refusal to purchase the other party’s interest in the Property and (vi) restrictions on the resale price of the Property, including on the purchase of shares or membership interests in the housing cooperative thereon.
3. This Memorandum is being made and entered into for the purpose of providing notice of the Agreement and the provisions thereof. The Agreement is incorporated herein by this reference and hereby is made a part hereof as if set forth in full herein.
4. This Memorandum may be executed in multiple counterparts, each of which shall constitute one (1) and the same document.

IN WITNESS WHEREOF, the undersigned have executed this Memorandum of Lease Agreement as of the day and year first above written.

**LESSOR:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Community Land Trust, a California nonprofit public benefit corporation

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**LESSEE:**

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ a limited equity housing cooperative organized as a California nonprofit [public benefit] [mutual benefit] corporation

Signature: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Title: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

| A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document. |
| --- |

State of California )

County of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ )

On \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_, before me, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Seal)

| A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document. |
| --- |

State of California )

County of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ )

On \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_, before me, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Seal)