

CHAPTER 6
MODEL AGRICULTURAL GROUND LEASE

(Section-by-section commentary on this model document appears in Chapter 7.)

THIS LEASE (“this Lease” or “the Lease”) is made and entered into this _____ day of _____, 200_, by and between _____ (“Lessor” or “the Lessor”), and _____ (“Lessee” or “the Lessee”).

RECITALS

WHEREAS, the Lessor is a not-for-profit corporation organized exclusively for charitable purposes, including the preservation and enhancement of land in its natural, open or forested and agricultural condition for scientific, charitable and educational purposes;

WHEREAS, it is a goal of the Lessor, in carrying out these purposes, to ensure that agricultural land and improvements be preserved as working farms and that access to such farms be kept affordable for farmers who are able and willing to carry out the Lessor’s purposes;

WHEREAS, the Premises described in this Lease have been acquired and are being leased by the Lessor to the Lessee in furtherance of Lessor’s charitable purposes;

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

WHEREAS, Lessor and Lessee recognize the special nature of the terms and conditions of this Lease, and each of them, with the independent and informed advice of legal counsel, freely accepts these terms and conditions, including those terms and conditions stated in the Requirements and Restrictions attached to this Lease as Exhibit E: REQUIREMENTS AND RESTRICTIONS, and those terms and conditions that may affect the marketing and resale price of any Improvements on the Leased Premises; and

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

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

ARTICLE 1: LETTERS OF STIPULATION AND ACKNOWLEDGMENT

Attached to this Lease as Exhibit A: LETTERS OF STIPULATION AND ACKNOWLEDGMENT and made part of this Lease by reference are (a) a Letter of

Stipulation of Lessee, and (b) a Letter of Acknowledgment of legal counsel of Lessee, setting forth their respective review and understanding of this Lease (in particular, Article 4, regarding the use of the Leased Premises, and Article 10, regarding the transfer, sale or disposition of the Improvements) and related documents for this transaction.

ARTICLE 2: DEMISE OF LEASED PREMISES

2.1 PREMISES: The Lessor, in consideration of the rents reserved and the terms and conditions of this Lease, does hereby demise and leave unto Lessee, and Lessee does hereby take and hire from Lessor, the property (referred to in this Lease as the “Leased Premises” or the “Premises”) described in the attached Exhibit B: PREMISES, subject to the conservation easement (the “Conservation Easement”) attached as Exhibit C: CONSERVATION EASEMENT. Lessor has furnished to Lessee a copy of the most current, if any, title report previously obtained by Lessor for the Premises.

2.2 AS IS: Lessee agrees to accept title to the Leased Premises in their “as is” condition and “with all faults” existing as of the date hereof. Lessee agrees that this Lease has been entered into after full investigation of the Premises, or with Lessee satisfied with the opportunity afforded for investigation, and without reliance upon any statement or representation by Lessor unless such statement or representation is expressly set forth in this Lease.

2.3 RESERVATION OF MINERAL RIGHTS: Lessor reserves to itself all of the oil, gas, coal and other minerals, including water, upon, in and under the Leased Premises. This reservation shall not diminish the right of the Lessee under this Lease to occupy and freely use the Leased Premises. Any extraction of minerals by the Lessor shall be carried out with as little disruption to the Lessee as is possible. On the completion of any such extraction, Lessor shall return the surface of the Leased Premises to its original state. In instances requiring a material disruption of the Lessee’s right of use and occupancy of the Leased Premises, the Lessor shall not make such extraction without the consent of the Lessee.

Notwithstanding this reservation of mineral rights by Lessor, Lessee shall have the right to draw upon such quantity of water from the Leased Premises as may be reasonably necessary for purposes permitted under the terms of this Lease on the Leased Premises.

ARTICLE 3: DURATION OF LEASE

3.1 PRINCIPAL TERM: The term of this Lease shall be 99 years, commencing on the ___ day of _____, 20__ (the “Commencement Date”), and terminating on the ___ day of _____, 21__ (the “Expiration Date”), unless terminated sooner or extended as provided below.

3.2 LESSEE’S OPTION TO EXTEND: Lessee may extend the principal term of this Lease for one (1) additional period of 99 years, subject to all of the provisions of this Lease. Lessor may make changes to the terms of the Lease for the renewal period prior to the beginning of such renewal period but only if these changes do not materially and adversely impair Lessee’s rights under the Lease. Not more than two (2) years nor less than one (1) year before the last

day of the current term, Lessor shall give Lessee written notice (“the Expiration Notice”), stating the date of expiration of the Lease, describing any changes that Lessor intends to make to the terms of the Lease as permitted above, and reiterating the conditions for renewal as set forth immediately below.

Lessee’s right to exercise the option to extend is subject to the following conditions: (a) within 60 days of receipt of the Expiration Notice, Lessee shall give Lessor written notice irrevocably exercising the option to extend (“the Extension Notice”); (b) this Lease shall be in effect at the time the Extension Notice is given and on the last day of the term, and (c) there shall not be an Event of Default by Lessee under this Lease or under any loan documents between Lessee and any Permitted Mortgagee (as defined hereinafter) at the time the Extension Notice is given and on the last day of the term.

When Lessee has rightfully exercised the option to extend, Lessor and Lessee shall execute a memorandum, in mutually agreeable recordable form, acknowledging the fact that the option has been exercised and otherwise complying with the requirements of law for an effective memorandum or notice of lease. Such memorandum or notice of lease shall be recorded in accordance with the requirements of law on or promptly after the commencement of such renewal period of the Lease.

3.3 CHANGE OF LESSOR; LESSEE’S RIGHT TO PURCHASE: In the event that ownership of the land comprising the Leased Premises (the “Land”) is conveyed or transferred (whether voluntarily or involuntarily) by Lessor to any other person or entity, this Lease shall not cease, but shall remain binding and unaffected. However, in the event Lessor desires or attempts to convey the Land to any person or entity other than a not-for-profit corporation, charitable trust, governmental agency or other similar entity sharing the charitable goals described in the Recitals above, the Lessee shall have a right of first refusal to purchase the Land. This right shall be as specified in the attached Exhibit D: FIRST REFUSAL. Any sale or other transfer contrary to this Section 3.3 shall be null and void. Notwithstanding the foregoing, the conveyance by Lessor of a mortgage of its fee interest in the Land shall not be deemed a conveyance or transfer for purposes of this Section 3.3, and shall not trigger a right of first refusal.

ARTICLE 4: USE OF LEASED PREMISES

4.1 PERMITTED USE: The Leased Premises shall be used only for residential, agricultural, or educational purposes and such other purposes as are supportive of or incidental to these uses. As used herein, agricultural use is defined as use for the raising of animals, including but not limited to, dairy cattle, beef cattle, poultry, sheep, swine, horses, ponies, mules, goats, and bees, for the purpose of selling such animals or a product derived from such animals in the regular course of business, and use for horticultural purposes, including but not limited to, the raising of fruits, vegetables, berries, nuts and other foods for human consumption, feed for animals, flowers, sod, trees, nursery, or greenhouse products, and ornamental plants and

shrubs for the purpose of selling such products in the regular course of business, and also use for the production of forest products for the purpose of selling such products in the regular course of business. (The parties agree that the terms of this Lease limit Lessee's right to pursue certain agricultural uses in certain ways.)

No use of the Leased Premises shall violate the terms and conditions of the conservation easement attached as Exhibit C: CONSERVATION EASEMENT.

4.2 REQUIREMENTS AND RESTRICTIONS: The Lessee shall implement and abide by the Requirements and Restrictions attached to the Lease as Exhibit E: REQUIREMENTS AND RESTRICTIONS. The Lessee shall cooperate with the Lessor to amend the Requirements and Restrictions from time to time, as needed, with the help of mutually agreeable land-use consultants. Both Lessee and Lessor must agree in writing to any changes in the Requirements and Restrictions before such changes take effect.

4.3 AGRICULTURAL INCOME REQUIREMENT: Lessee shall make active use of the Premises for agricultural purposes, and such use shall result in at least the minimum agricultural income for the Lessee as such minimum agricultural income is defined in Exhibit E : REQUIREMENTS AND RESTRICTIONS. The parties agree that the purpose of this requirement is to promote the continued agricultural use of the Premises by persons whose primary economic activity is farming.

4.4 OCCUPANCY: Lessee shall occupy the permanent single-family home located on the Leased Premises for at least ten (10) months of each year of this Lease, unless otherwise agreed by Lessor. Occupancy by children or other immediate family members or dependents of the Lessee shall be considered occupancy by Lessee.

Any buildings that are developed on the Premises (in accordance with Section 7.4 below) for the purpose of housing persons engaged on the Premises as students and/or agricultural workers shall be used to house only such persons and their families.

4.5 WRITTEN CONSENT FOR OTHER USES: The Lessee must secure written consent from the Lessor for any uses of the Leased Premises that are not consistent with the terms of this Lease (including the requirements and restrictions attached as Exhibit E) or about which there may be reasonable doubt as to their consistency with the terms of this Lease. Any request by Lessee for such consent shall be either granted or refused by Lessor within 30 days of receipt thereof. If any proposed use of the Leased Premises, having been approved by Lessor, is such as also requires the approval of the holder of the Conservation Easement attached as Exhibit C, Lessor and Lessee shall cooperate in seeking such approval through the process prescribed in such easement.

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

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

4.7 RESPONSIBLE FOR OTHERS: Lessee shall be responsible for the use of the Leased Premises by all residents and their families, friends and visitors and anyone else using the Leased Premises with Lessee's consent and shall make all such people aware of the spirit, intent and appropriate terms of this Lease.

4.8 INSPECTION: Lessor may inspect any portion of the Leased Premises except the interiors of occupied residential structures, at any reasonable time, but not more than 2 times in a single calendar year, and in any reasonable manner, upon at least twenty-four (24) hours oral notice to Lessee. In the event of emergency, Lessor may inspect any portion of the Leased Premises except the interior of occupied residential structures without notice provided the Lessor shall have made reasonable efforts to give advance notice to Lessee.

4.9 LESSEE'S RIGHT TO PEACEFUL ENJOYMENT: Lessee has the right to undisturbed enjoyment of the Leased Premises, and Lessor has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Lessee, subject to the provisions of this Lease.

ARTICLE 5: GROUND LEASE FEE

5.1 GROUND LEASE FEE: In consideration of the possession, continued use and occupancy of the Leased Premises, Lessee shall pay to Lessor an annual ground lease fee (the "Ground Lease Fee"). The amount of the Ground Lease Fee shall be _____dollars (\$____) until or unless adjusted in accordance with Section 5.4 or Section 5.5 below.

5.2 PAYMENT OF GROUND LEASE FEE: The Ground Lease Fee shall be payable to Lessor, at the address specified in this Lease as Lessor's address, on the __ day of _____ in each year for as long as this Lease remains in effect, unless, with Lessor's consent, the Ground Lease Fee is to be escrowed by a Permitted Mortgagee (as defined hereinafter), in which case payment shall be made as specified by that Mortgagee.

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

5.3 CALCULATION OF GROUND LEASE FEE: The Ground Lease Fee specified in Section 5.1 above has been calculated as the monthly fair rental value of the Leased Premises as of the commencement of the lease term. This calculation recognizes (a) that certain costs of ownership, including the cost of insurance and property taxes, are paid directly by the Lessee and are therefore not costs for which Lessor should be reimbursed through the Ground

Lease Fee, (b) that use of the Leased Premises is restricted by the Lease in ways that reduce the fair rental value, and (c) that Lessee will be providing certain benefits to Lessor including but not limited to preservation and enhancement of soil quality and protection of the environment.

5.4 PERIODIC ADJUSTMENT OF GROUND LEASE FEE: In order to keep the Ground Lease Fee reasonably current, Lessor may recalculate the amount specified in Section 5.1 from time to time, but no more often than every ____th year of the term of the Lease. At such times, the amount shall be recalculated to reflect the fair rental value of the Leased Premises at the time of recalculation, recognizing those factors set forth in Section 5.3 above. Lessor shall notify Lessee promptly upon recalculation of the new Ground Lease Fee amount, and if Lessee does not state objections to the recalculated amount within thirty (30) days after receipt of this notice, the Ground Lease Fee shall then be as stated by Lessor in the notice. If Lessee does state objections to the recalculated Ground Lease Fee and Lessor and Lessee are then unable to agree on a recalculated Ground Lease Fee, the dispute shall be resolved according to the arbitration process set forth in Article 13 below, except that the arbitrators chosen by each party shall be ones with experience in the valuation of agricultural property in the geographical area in and around _____.

5.5 ADJUSTMENT TO REFLECT REMOVAL OF RESTRICTIONS: The Ground Lease Fee stated in Section 5.1, as adjusted in the way provided in Section 5.4, shall be applicable during the term of this Lease. However, in the event that, for any reason, any of the provisions of Article 10 or Article 11 regarding transfers of the Improvements or Article 4 regarding use and occupancy of the Leased Premises are suspended or invalidated for any period of time, then during that time, the Ground Lease Fee shall be increased to an amount calculated by Lessor to equal the fair rental value of the Leased Premises for use not restricted by the provisions of the suspended portions of the Lease. In such event, Lessor shall notify Lessee of the amount calculated in this way, and the Ground Lease Fee shall then be this amount.

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

ARTICLE 6: TAXES AND ASSESSMENTS

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

6.2 TAXES ON LEASED PREMISES: Even in the event that the local taxing authority bills Lessor for the taxes on the Leased Premises, the responsibility for this expense shall remain that of the Lessee. Lessor shall promptly forward any such tax bills to Lessee upon receipt. Lessee shall promptly pay any such tax bill upon receipt from Lessor or the taxing authority.

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

6.4 PAYMENTS IN EVENT OF DELINQUENCY: In the event that Lessee fails to pay the taxes or other charges specified in Section 5.1 above, Lessor may increase, but shall not be obligated to increase, Lessee's Ground Lease Fee in an amount that will offset the cost of any delinquent and current taxes or other charges relating to the Improvements and Leased Premises. Upon collecting any such amount, Lessor shall pay the amount collected to the taxing authority in a timely manner.

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

ARTICLE 7: IMPROVEMENTS

7.1 OWNERSHIP: It is agreed that all buildings, structures, fixtures, fences, orchards, perennial horticultural plantings, and other improvements located on the Leased Premises and purchased by the Lessee or constructed or placed by the Lessee on any part of the Leased Premises at any time during the term of this Lease (the "Improvements") shall be property of the Lessee. Title to such Improvements shall be and remain vested in the Lessee. However, Lessee's exercise of the rights of ownership of the Improvements is subject to the provisions of this Lease, including but not limited to provisions regarding the disposition of Improvements by the Lessee and the Lessor's option to purchase the Improvements.

7.2 PURCHASE OF IMPROVEMENTS BY LESSEE: Simultaneously with the execution of this Lease, Lessee is purchasing the buildings and other Improvements now located on the

Leased Premises (the “Original Improvements”), as described in Schedule “A” to the Deed, the form of which is attached to this Lease as Exhibit F: DEED.

7.3 ALTERATION OF IMPROVEMENTS: Subject to Lessor’s approval when such approval is required under the terms of section 7.5 below, the Lessee shall have the right to alter, improve, or expand existing Improvements (both the Original Improvements and any subsequent improvements) on the Leased Premises for residential, agricultural, horticultural, or educational uses permitted by the terms of this Lease, provided that such alteration, improvement or expansion is permitted by all applicable public laws and regulations and by the conservation easement attached as Exhibit C.

7.4 DEVELOPMENT OF NEW PERMANENT STRUCTURES: New permanent structures (permanent structures not included in the Original Improvements) may be developed only on portions of the Leased Premises where development is not prohibited by the conservation easement attached as Exhibit C, only for residential, agricultural, or educational uses permitted by the terms of this Lease, and only with the written consent of the Lessor. Specific uses for which such structures may be developed include, but are not limited to, housing for interns or seasonal agricultural workers, storage, shelter for animals, growing of plants, value-added processing of farm-raised products, retail sale of farm-produced products, educational activities, activities benefiting the local community, provided such uses are in compliance with all applicable public laws and regulations.

7.5 LESSOR’S APPROVAL REQUIRED: Lessee must receive prior written approval from Lessor for the siting and construction of new permanent buildings of any kind and for any modification of existing permanent buildings that expands or alters the exterior of such buildings. Lessee must also receive prior written approval from Lessor for any development or alteration of Improvements undertaken to house or facilitate any uses other than those specifically permitted by this Lease. If any proposed development or alteration of Improvements, having been approved by Lessor, is such as also requires the approval of the holder of the Conservation Easement attached as Exhibit C, Lessor and Lessee shall cooperate in seeking such approval through the process prescribed in such easement.

7.6 QUALITY OF IMPROVEMENTS: All construction and other work permitted by this Lease shall be done in a good and workmanlike manner and in compliance with all applicable laws, regulations, building codes, orders and requirements of all public authorities (“Legal Requirements”) and all commercially reasonable requirements of insurers of the Leased Premises (“Insurance Requirements”). Lessor may inspect Lessee’s work at reasonable times and shall promptly give notice of observed defects. The parties agree that Lessee shall be solely responsible for obtaining any necessary approval or otherwise satisfying any Legal Requirements or Insurance Requirements.

7.7 PROHIBITION OF LIENS: No lien of any type shall attach to the Lessor’s title to the Land or to Lessor’s interest in the Leased Premises or to any other property owned by the Lessor. Lessee shall not permit any statutory or similar lien to be filed against the Premises,

the Improvements, or any interest of Lessor which remains more than sixty (60) days after it has been filed. Lessee shall cause any such lien to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or as otherwise permitted by law. If Lessee fails to cause such lien to be discharged within the sixty-day period, then, in addition to any other right or remedy, Lessor may, but shall not be obligated to, discharge the lien by paying the amount in question. Lessee may, at Lessee's expense, contest the validity of any such asserted lien, provided Lessee has furnished a bond in an amount sufficient to release the Leased Premises from such lien. Any amounts paid by Lessor to discharge such liens shall be deemed to be an additional Ground Lease Fee payable by Lessee upon demand.

7.8 MAINTENANCE AND SERVICES: Lessee shall, at Lessee's sole expense, maintain the Leased Premises and all Improvements as required by Section 4.6 above. Lessor shall not be required to furnish any services or facilities, including but not limited to heat, electricity, air conditioning or water, or to make any repairs to the Leased Premises or Improvements, and Lessee hereby assumes the sole responsibility for furnishing all services or facilities.

7.9 DISPOSITION OF IMPROVEMENTS UPON EXPIRATION OF LEASE TERM: Upon the expiration of the term of this Lease as such term may be extended or sooner terminated in accordance with this Lease, Lessee shall surrender all permanent Improvements together with the Leased Premises to the Lessor. Ownership of the permanent Improvements shall thereupon revert to Lessor, provided, however, that in the event of a reversion upon the expiration of the term of this Lease, Lessor shall, through the process described in the following paragraph, purchase the Improvements from the Lessee, for the then applicable Purchase Option Price, calculated in accordance with Section 10.7 of this Lease.

Upon Lessee's failure to take the necessary steps (identified in Section 3.2 above) to extend the Lease for an additional term, Lessor shall, no later than 180 days prior to the date on which the Lease is due to expire, present to Lessee a plan specifying in reasonable detail Lessor's intended means of satisfying its obligation to purchase the Improvements for the then applicable Purchase Option Price. If Lessor's plan is to raise the funds necessary for such purchase by liquidating its interest in the Improvements, Lessor shall make a good faith effort to identify a buyer for the Improvements and to enter into a purchase and sale contract with such buyer prior to the expiration of the Lease term.

Notwithstanding the generality of the foregoing, Lessee may remove from the premises prior to the expiration of the Lease any property of the Lessee that is not permanently installed on the Premises and that has not been identified as part of the Improvements in an Exhibit to this Lease or in Lessor's written permission for its construction or placement on the Premises.

ARTICLE 8: FINANCING

8.1 PERMITTED LEASEHOLD MORTGAGE: Lessee may mortgage the Improvements and the Leased Premises only with the written consent of Lessor. Not less than thirty (30)

days prior to the date on which Lessee (or a prospective Lessee who has contracted to purchase the Improvements) requests Lessor's consent to a mortgage to be effective, Lessee (or a prospective Lessee) shall furnish to Lessor copies of every document to be executed in connection with the transaction represented by such mortgage. Lessor may choose to consent to any mortgage, and in so doing shall designate such mortgage as a "Permitted Mortgage." However, Lessor shall be required to consent to a mortgage only if (a) at the time such copies of documents are submitted and at the time proposed by Lessee (or prospective Lessee) for the execution of such documents, no default is then outstanding; and (b) the mortgage so submitted is a Standard Permitted Mortgage as defined in the attached Exhibit G:

PERMITTED MORTGAGES. Lessee shall pay to Lessor at Lessor's option, as additional Ground Lease Fee, all fees, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Lessor in connection with its review or approval of any mortgage that it is requested to review and permit.

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

8.3 REMOVAL OF CERTAIN PROVISIONS PURSUANT TO FORECLOSURE: In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of the Lease, at the election of the Permitted Mortgagee the provisions of Article 10, sections 10.1 through 10.10, shall be deleted and thereupon shall be of no further force or effect as to only so much of the Security so foreclosed upon or transferred.

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

8.5 LESSOR'S RIGHT TO PROCEEDS IN EXCESS OF PURCHASE OPTION PRICE: The parties recognize that it would be contrary to the fundamental concept of this agreement and an incentive to abuse Lessee's authorization to encumber the Improvements and Leased Premises with a Permitted Mortgage if Lessee could realize more than the Purchase Option Price as the result of any foreclosure of any mortgage. Accordingly Lessee hereby irrevocably assigns to Lessor any and all net proceeds of sale of the Improvements and Leased Premises remaining after payment of costs of foreclosure and satisfaction of the lien of any Permitted Mortgagee which would otherwise have been payable to Lessee, to the extent such net proceeds exceed the net proceeds that Lessee would have received had the property been sold for the Purchase Option Price established in Article 10 of this Lease, and authorizes and instructs the Permitted Mortgagee or any party conducting any sale to pay the amount of said excess proceeds directly to Lessor. In the event that, for any reason, such excess proceeds are

paid to Lessee, Lessee hereby agrees to promptly pay the amount of such excess proceeds to Lessor.

**ARTICLE 9: LIABILITY, INSURANCE, DAMAGE AND DESTRUCTION,
EMINENT DOMAIN**

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

9.2 INDEMNIFICATION OF LESSOR: Lessee shall defend, indemnify and hold Lessor harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Premises and the Improvements. Lessee waives all claims against Lessor for such injury or damage. However, Lessor shall remain liable (and Lessee shall not indemnify and defend Lessor against such liability or waive such claims of liability) for injury or damage due to negligence or willful misconduct of Lessor or Lessor's agents or employees.

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

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

Lessee shall, at Lessee's sole expense, maintain continuously in effect liability insurance covering the Leased Premises and Improvements in the amounts of not less than _____ dollars (\$ _____) for injury to or death of any one person; and _____ dollars (\$ _____) for injury to or death of any number of persons in one occurrence; and _____ dollars (\$ _____) for property damage. The dollar amounts of this coverage shall be adjusted at five-year intervals, beginning on the date this Lease is signed, or upon Lessor's demand given not more often than annually, upon 30 days notice to Lessee. This adjustment shall be based on changes in Lessee's Improvements and activities on the Leased Premises and such other factors as would affect the extent of Lessees' liability. Such insurance shall specifically insure Lessee against all liability assumed under this Lease, as well as all liability imposed by law, and shall also insure Lessor as an additional insured so as to create the same liability on the part of insurer as though separate policies had been written for Lessor and Lessee.

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

9.5 RESTORATION FOLLOWING DAMAGE OR DESTRUCTION: Except as provided in this Section 9.5, or in Section 9.6 below, in the event of fire or other damage to the Improvements, Lessee 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. Lessee shall also promptly take all steps necessary to assure that the Leased Premises are safe and that the damaged Improvements do not constitute a danger to persons or property.

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

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

9.6 ALTERNATIVE RESPONSE TO DAMAGE OR DESTRUCTION: Notwithstanding anything to the contrary in Section 9.5, in the event of fire or other damage to the Improvements, Lessee may propose to Lessor an alternative plan for the use of the insurance proceeds if Lessee determines that such restoration would not constitute the best use of the insurance proceeds for the residential, agricultural, and educational purposes permitted by this Lease. Such a plan shall make use of the insurance proceeds entirely for the purpose of improving the Leased Premises for the permitted purposes and shall provide for the safe, sanitary, and environmentally appropriate treatment of the site of the damaged Improvements and the safe and sanitary disposal or recycling of any remnants of the damaged Improvements. Lessor shall approve or reject such a plan within 30 days of its receipt, but shall not unreasonably withhold approval of any such plan that utilizes the insurance proceeds to improve the Leased Premises for purposes consistent with the terms of this Lease.

9.7 EMINENT DOMAIN AND PUBLIC DEDICATION: If, by reason of eminent domain or other action of public authority prior to the expiration of this Lease, the Leased Premises are taken, either in their entirety or to such extent that, in the reasonable view of both Lessor and Lessee, the remaining Premises will no longer serve the residential and agricultural purposes of the Lessee, the Lease shall terminate as of the date Lessee gives up possession of the Leased Premises, and the entire amount of any award(s) paid shall be allocated as follows. The proceeds of the award shall be paid first to cover any expenses of collecting the proceeds. Remaining proceeds shall be paid to the Lessee (or Lessee's Permitted Mortgagee to the extent required by the Permitted Mortgage) up to the then applicable Purchase Option Price (as of immediately prior to the taking) calculated according to the provisions of section 10.7 below. The balance of such proceeds, if any, shall be paid to the Lessor.

In the event of a taking of a portion of the Leased Premises which, in the reasonable view of both the Lessor and the Lessee, does not reduce the value of the remaining Leased Premises to an extent that such remaining Premises will no longer adequately serve the residential and agricultural purposes of the Lessee, the parties shall deliberate together and shall agree if possible on a fair allocation of the award between Lessor and Lessee, based upon the relative amount of value taken from each. If the parties cannot agree on such allocation (or on whether the Lease should be terminated pursuant to this Section 9.7), the matter shall be referred to arbitration in the manner described in Article 13.

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

9.8 REASSESSMENT OF RENTAL VALUE: In the event of any taking that reduces the size of the Leased Premises but does not result in the termination of the Lease, Lessor shall reassess the fair rental value of the remaining Premises and shall adjust the Ground Lease Fee if necessary to assure that the monthly fee does not exceed the monthly fair rental value of the Premises for use as restricted by the Lease.

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

ARTICLE 10: TRANSFER, SALE OR DISPOSITION OF IMPROVEMENTS

10.1 INTENT: It is the understanding of the parties that the terms of this Article 10 are intended to assure that the Land will continue to be used for agricultural and educational purposes and that, when Lessee wishes to sell his or her interest in the Land and Improvements, another qualified farmer will have the opportunity to assume such interest on affordable terms. The provisions of this Article 10 do not apply to any property of the Lessee that does not rest upon a permanent foundation or is not otherwise permanently installed on the Premises and that, pursuant to section 7.9 above, is not considered part of the Improvements.

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

"Qualified Person" shall mean a person or group of persons who have demonstrated to Lessor's express satisfaction that they understand and accept the terms of this Lease and are willing and able to use the Leased Premises in full compliance with all of the restrictions and requirements established in this Lease and its several exhibits. Before transferring its interest in the Improvements and Leased Premises to any party other than Lessor, Lessee shall demonstrate that the prospective transferee is a Qualified Person by submitting to Lessor (a) proposed Letters of Stipulation and Acknowledgement (as defined in Article 1 hereof) and (b) a "Qualification Letter" from the prospective transferee. The Qualification Letter shall include (i) a statement of the prospective transferee's plans for making agricultural use of the Leased Premises in full compliance with all of the terms of this Lease and its several exhibits, and (ii) a statement of the financial assets and capital goods (including relevant equipment, supplies, livestock and other physical items) commanded by the prospective transferee and giving the prospective transferee the ability to carry out the planned agricultural use of the Leased Premises in full compliance with all of the restrictions and requirements established in this Lease and its several exhibits (including, but not limited to, the requirement, established in Section 4.3 above, that Lessee earn a certain "minimum agricultural income.") Lessor's review of a Qualification Letter and determination of a prospective transferee's qualifications shall be as described in section 10.8 below.

10.3 TRANSFER TO LESSEE'S HEIRS: Upon receipt of a written request from Lessee at any time or upon receipt of notice from the executor of the estate of the owner (or last surviving co-owner) of the Improvements given within ninety (90) days of the appointment of such executor, Lessor shall consent to an assumption of this Lease to and by one or more of the possible heirs of Lessee, provided (a) that no default is then outstanding, (b) that Letters of Stipulation and Acknowledgement (as described in Article 1 of this Lease) and a Qualification

Letter (as described in Section 10.2 above) are submitted to Lessor, and (c) that Lessor, based on its review of such Letters, determines that such heir or heirs are Qualified Persons as defined in section 10.2 above. Lessor shall not withhold its approval of the proposed transfer on any grounds other than those stated in this paragraph.

Any heirs, legatees or devisees of Lessee whom Lessor has not thus permitted to assume this Lease shall not be entitled to possession of the Leased Premises but must transfer their interest in the Improvements and Leased Premises in accordance with the provisions of this Article 10.

10.4 LESSEE'S NOTICE OF INTENT TO SELL: In the event that Lessee wishes to assign Lessee's interest in the Leased Premises and sell the Improvements, Lessee shall notify Lessor in writing of such wish (the Intent-to-Sell Notice). Such Notice shall include a statement as to whether the Lessee wishes to recommend a proposed transferee as of the date of the Notice.

Note: The sequence and content of the following sections will vary depending on what resale formula is used and whether Lessee's right to designate a buyer is explicitly recognized. (See commentary in Chapter 7 and discussion of resale formulas in Chapter 10.)

10.5 APPRAISAL: On or before the date on which Lessee submits an Intent-to-Sell Notice, Lessee shall commission, at Lessee's expense, an appraisal by a licensed appraiser. This appraisal shall be a determination of the market value of the Improvements in their existing location and condition and as their use is restricted by the terms of this Lease (the "As-restricted Market Value"), thus excluding any additional market value that might be realized if the property were located elsewhere or were to be used for purposes not permitted by this Lease. When completed, such appraisal shall be submitted to Lessor. Upon receipt of the appraisal, Lessor shall either (a) accept the appraisal as accurately representing the As-restricted Market Value of the Improvements for purposes of calculating the Purchase Option Price or (b) commission a second appraisal of the As-restricted Market Value by a licensed appraiser, at Lessor's expense, and submit a copy of this second appraiser's report to the Lessee within 30 days of Lessor's receipt of the first appraiser's report. If a second appraisal is commissioned and if the amount reported by the second appraiser does not differ from the amount reported by the first appraiser by more than ten percent (10%) of the first appraised value, then the amount to be used in determining the As-restricted Market Value of the Improvements shall be the average of the two appraised values reported by the two appraisers. If the amount reported by the second appraiser differs from the amount reported by the first appraiser by more than ten percent (10%) of the first appraised value, then the two appraisers shall together appoint a third appraiser who shall appraise the Improvements in accordance with the provisions of this section. In such event, the amount to be used in determining the As-restricted Market Value of the Improvements shall be the value reported by the third appraiser. The cost of the third appraisal shall be borne equally by Lessor and Lessee.

10.6 LESSOR'S PURCHASE OPTION. Upon receipt of an Intent-to-Sell Notice from Lessee, Lessor shall have the option to purchase Lessee's interest in the Improvements and Leased Premises (the "Purchase Option") for a price calculated as set forth in section 10.7 below (the "Purchase Option Price"). The Purchase Option is designed to further the purpose of preserving the affordability of the Improvements for succeeding Qualified Persons while taking fair account of the investment by the Lessee.

If Lessor elects to purchase the Lessee's interest in the Improvements and Leased Premises, Lessor shall exercise the Purchase Option by notifying Lessee in writing of such election (the Notice of Exercise of Option) within forty-five (45) days of the final determination of As-restricted Market Value in accordance with section 10.5 above, or the Option shall expire. Having given such notice, Lessor may either proceed to exercise the Purchase Option directly by purchasing the Lessee's interest in the Improvements and Leased Premises, or may assign the Purchase Option to a Qualified Person.

The purchase (by Lessor or Lessor's assignee) must be completed within ninety (90) days of Lessor's Notice of Exercise of Option, or Lessee may sell Lessee's interest in the Improvements and Leased Premises as provided in Section 10.8 below. The time permitted for the completion of the purchase may be extended by mutual agreement of Lessor and Lessee.

Lessee may recommend to Lessor a prospective transferee who is a Qualified Person and is prepared to submit a Letter of Stipulation (as defined in Article 1 hereof) and a Qualification Letter (as described in section 10.2 above). Lessor shall make reasonable efforts to arrange for the assignment of the Purchase Option to such person, unless Lessor determines that the recommended prospective transferee is not a Qualified Person (based upon the process described in section 10.8 below) or that for other reasons Lessor's charitable mission is better served by transfer of Lessee's interest in the Improvements and Leased Premises to another party.

10.7 CALCULATION OF PURCHASE OPTION PRICE: In no event shall Lessee's interest in the Improvements and the Leased Premises be sold for a total price that exceeds the Purchase Option Price. (Such total price shall be understood to include the amount of any fee charged by Lessee for the assignment of Lessee's interest in the Leased Premises if such a fee is charged.) The Purchase Option Price shall equal the As-restricted Market Value of the Improvements determined through the process described in section 10.5 above.

10.8 IF PURCHASE OPTION EXPIRES: If the Purchase Option has expired or if Lessor has failed to complete the purchase within the ninety-day period allowed by Section 10.6 above, Lessee may sell the Improvements and assign the Lease, for not more than the then applicable Purchase Option Price, provided that the proposed transfer is determined to be in compliance with the terms hereof and the proposed transferee is determined to be a Qualified Person through the following process.

The Lessee shall submit to Lessor (a) a statement of the proposed sale price and other proposed terms of sale, (b) Letters of Stipulation and Acknowledgement from the proposed

transferee (as defined in Article 1 hereof) and (c) a Qualification Letter from the proposed transferee (as described in Section 10.2 above). Lessor shall review these documents and shall evaluate their sufficiency as demonstrations of the compliance of the transfer with the terms of this Lease, and as demonstrations of the proposed transferee's understanding and acceptance of the terms of the Lease, and of the proposed transferee's ability to use the Leased Premises in full compliance with all of the restrictions and requirements established in this Lease and its several attachments. Within 30 days of its receipt of these documents, Lessor shall notify the Lessee of the results of its review and evaluation of these documents. In its notification, the Lessor shall state that it has or has not found the proposed transfer to comply with the terms of this Lease and the proposed transferee to be a Qualified Person, or the Lessor may state that the documents do not provide sufficient evidence on which to base a decision and may ask for additional information. If additional information is then submitted, the Lessor shall have 15 days from its receipt of such information in which to notify the Lessee of its decision. If Lessor fails to notify Lessee of a decision within the required period of time, the proposed transferee shall be assumed to be a Qualified Person. Lessor shall not withhold its approval of the proposed transfer on any grounds other than those stated in this paragraph. If Lessor decides that a prospective transferee is not a Qualified Person, Lessee shall have a right to challenge such decision through the arbitration process described in Article 13 of this Lease.

If, one (1) year after the expiration of the Purchase Option or the expiration of the ninety-day period specified in Section 10.6 above, the Lessee's interest in the Improvements and Leased Premises still has not been sold to a Qualified Person, in spite of Lessee's diligent efforts to accomplish such a sale, Lessee may sell Lessee's interest in the Improvements and Leased Premises, for not more than the then applicable Purchase Option Price, to any party regardless of whether that party has been determined to be a Qualified Person.

10.9 LESSOR'S POWER OF ATTORNEY TO CONDUCT SALE: In the event that Lessor does not exercise its option and complete the purchase of the Improvements as set forth above, and Lessee (a) is neither residing on the Leased Premises nor actively engaged in agricultural use of the Leased Premises, and (b) continues to hold the Improvements out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one (1) year of the giving of the Intent-to-Sell Notice, Lessee does hereby appoint Lessor to be Lessee's attorney in fact to seek a buyer, negotiate a reasonable price that furthers the goals set forth in this Lease, sell the property, and distribute proceeds of sale, minus Lessor's costs of sale and reletting and any other sums owed Lessor by Lessee.

10.10 IF TRANSFER ENTAILS SELLER FINANCING OR INSTALLMENT PURCHASE: Lessee may agree to receive incremental payments for the sale of Lessee's interest in the Improvements and Leased Premises in accordance with this Article 10 (whether such payments are for the purpose of amortizing a loan from the seller or for the purpose of fulfilling other contractual obligations of buyer to seller). However, the net present value of such incremental payments (including any interest paid to the seller) shall not exceed, as of the time of the initial payment, the Purchase Option Price as defined in section 10.7 above.

ARTICLE 11: ASSIGNMENT AND SUBLEASE

11.1 GENERAL PROHIBITION: Except as otherwise provided in Article 8 (including Exhibit G: PERMITTED MORTGAGES, Article 10, and this Article 11, Lessee shall not assign, sublease, sell or otherwise convey any of Lessee's rights under this Lease without the prior written consent of the Lessor. If permission is granted, any assignment or sublease shall be subject to the following conditions:

- a) Any such assignment or sublease shall be subject to all of the terms of this Lease.
- b) In the case of a sublease, the rental fee charged the sublessee shall not be more than the Ground Lease Fee charged the Lessee by the Lessor, plus an amount approved by Lessor to cover the rental value of the Improvements as their use is restricted by this Lease.
- c) In the case of an assignment, the total consideration for such assignment and the related sale or transfer of the Improvements shall not exceed the Purchase Option Price as calculated in accordance with Article 10 above.

ARTICLE 12: DEFAULT

12.1 MONETARY DEFAULT BY LESSEE: It shall be an event of default if Lessee fails to pay the Ground Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Lessee or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee.

12.2 NON-MONETARY DEFAULT BY LESSEE: It shall be an event of default if Lessee fails to abide by any other material term or condition in this Lease and such failure is not cured by Lessee or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee. However, in the case where the Lessee or Permitted Mortgagee has commenced to cure such default within such 60-day period and is continuing such cure with all due diligence but cannot by the exercise of due diligence cure such default within such period, such period shall be extended for such additional period as may be reasonably required under the circumstances to complete such cure, but in any event, not longer than one year.

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

provision of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for payment of debts.

12.4 REMEDIES: In the case of any of the events of default described above, Lessor shall have the following remedies therefor:

(a) Lessor may terminate this Lease and initiate summary proceedings against Lessee. Pursuant to such proceedings, without demand or notice, Lessor may enter any part of the Leased Premises and repossess the entire Leased Premises, and expel Lessee and those claiming rights through Lessee and remove their effects without being guilty of any manner of trespass, and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant. If this Lease is terminated by Lessor, or if Lessor re-enters the Leased Premises pursuant to an Event of Default, the Lessee agrees to pay and be liable for any unpaid Ground Lease Fee, damages which may be due or sustained prior to or in connection with such termination or re-entry, and all reasonable costs, fees and expenses (including, without limitation, reasonable attorneys' fees) incurred by Lessor in pursuit of its remedies under this Lease.

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

(b) Lessor may bring an action at law or in Local Land for money damages or equitable relief, including, without limitation, an action seeking to restrain by injunction any violation or attempted or threatened violation of any of the covenants, conditions or provisions of this Lease or seeking specific performance of any such covenants, conditions or provisions; provided, however, that the foregoing shall not be construed as a confession of judgment by the defendant in any such action.

(c) Lessor may exercise any other remedy or remedies expressly provided in this Lease.

The foregoing remedies shall be cumulative and are not intended to be exclusive of any other remedies or means of redress that Lessor may be lawfully entitled to seek, either at law or in Local Land, in case of any breach or threatened breach of any provision of this Lease.

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

12.6 LIMITATION ON LIABILITY: Lessee shall neither assert nor seek to enforce any claim for breach of this Lease against any of Lessor's assets other than Lessor's interest in the Lease and the Land, and Lessee agrees to look solely to such interest for the satisfaction of any liability of Lessor under this Lease, it being specifically agreed that neither Lessor, nor any successor holder of Lessor's interest hereunder, nor Lessor's managing agent shall ever

be personally liable for any such liability. This paragraph shall not limit any right that Lessee might otherwise have to obtain injunctive relief against Lessor or Lessor's successors-in-interest, or to take any other action otherwise permitted under this Lease which shall not involve the personal liability of Lessor, or of any successor holder of Lessor's interest hereunder, or of Lessor's managing agent, to respond in monetary damages from Lessor's assets other than Lessor's interest in this Lease and the Land, as aforesaid. In no event shall Lessor ever be liable for any indirect or consequential damages or loss of profits or the like.

ARTICLE 13: ARBITRATION

13.1 ARBITRATION PROCESS: Should any grievance or dispute arise between Lessor and Lessee concerning the terms of this Lease which cannot be resolved by normal interaction, the following arbitration procedure shall be used.

Lessor or Lessee shall select a disinterested arbitrator and shall give written notice to the other party of such selection. Within fifteen (15) days of the receipt of this written notice, the other party may give written notice to the first party appointing a disinterested arbitrator of its own choice. These two arbitrators shall select a third arbitrator. If the other party fails to name an arbitrator within fifteen days of receiving the notice from the first party, the arbitrator selected by the first party shall be the sole arbitrator. In the case of a dispute involving provisions of this Lease relating to land use restrictions and requirements, the parties shall endeavor to select arbitrators who are familiar with standard agricultural and conservation practices. Each party shall pay for the costs of its respective arbitrator, and the costs of any third arbitrator selected as provided for herein shall be borne equally by the parties.

The arbitrator or arbitrators shall hold a hearing within thirty (30) days after the initial written notice by the initiator of the arbitration process. At the hearing Lessor and Lessee shall have an opportunity to present evidence and question witnesses in the presence of each other. As soon as reasonably possible, and in no event later than fifteen days after the hearing, the arbitration panel shall make a written report to the Lessor and Lessee of its findings and decisions, including a personal statement by each arbitrator of his/her decision and the reasons for it. The arbitrators shall decide the dispute or claim in accordance with the substantive law of the jurisdiction and what is just and equitable under the circumstances. The decisions and awards of the majority of the arbitration panel shall be binding and final.

ARTICLE 14: GENERAL PROVISIONS

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

If to Lessor: _____

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

If to Lessee: _____

All notices, demands and requests shall be effective upon being deposited in the United States Mail or with a nationally recognized overnight courier service, or, in the case of personal delivery, upon actual receipt.

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

14.3 SEVERABILITY: 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 Lessee or Lessor against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law.

14.4 DURATION: It is the intention of the parties that their respective options to purchase, rights of first refusal, and all other rights under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and such options and other rights shall be considered to be coupled with an interest. In the event any such option or right shall be construed to be subject to any rule of law limiting the duration of such option or right, the time period for the exercising of such option or right shall be construed to expire twenty (20) years after the death of the last survivor of the following persons:

***NOTE:** List an identifiable group of small children, e.g., the children born during the year preceding the date of this Lease in a specified hospital within the region in which the Premises is located.*

14.5 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article 10 of this Lease shall, for any reason, become unenforceable, Lessor shall nevertheless, in all situations where such purchase option has been held unenforceable, have a right of first refusal to purchase the Improvements at the highest documented bona fide purchase price offered to Lessee. Such right shall be as specified in Exhibit D: FIRST REFUSAL. Any sale or transfer contrary to this Section, when applicable, shall be null and void.

14.6 WAIVER: The waiver by Lessor at any given time of any term or condition of this Lease, or the failure of Lessor to take action with respect to any breach of any such term or condition, shall not be deemed to be a waiver of such term or condition with regard to any subsequent breach of such term or condition, or of any other term or condition of the Lease.

Lessor may grant waivers in the terms of this Lease, but such waivers must be in writing and signed by Lessor before being effective.

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

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

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

14.9 HEADINGS AND SUBHEADINGS: The headings and subheadings appearing in this Lease are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms or conditions of this Lease.

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

14.11 COUNTERPARTS: This Lease may be executed in several counterparts, each of which shall be deemed an original, and such counterparts shall constitute but one and the same instrument.

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

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

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

Lessor: _____

Witness

By: _____
Its duly authorized agent

Witness

Lessee: _____

[notarize signatures]

Exhibits

A: LETTERS OF STIPULATION AND ACKNOWLEDGMENT

(see samples below)

B: PREMISES

(to be prepared by Land Trust's attorney)

C: CONSERVATION EASEMENT

(if any)

D: FIRST REFUSAL

(see model below)

E. REQUIREMENTS AND RESTRICTIONS

(see sample below)

F: DEED

(see sample below)

G: PERMITTED MORTGAGES

(see model below)

Exhibit A: LETTERS OF STIPULATION AND ACKNOWLEDGMENT

Sample Letter Of Stipulation

To: Local Land Trust [substitute name of actual land owner]

Date: _____

This letter is given to Local Land Trust to become an exhibit to a lease between Local Land Trust and us. We will be leasing a parcel of land (referred to in the lease as the Leased Premises) from Local Land Trust and will be buying the house and barn and other improvements that sit on that parcel of land.

Our legal counsel, John Doe, has reviewed with us the terms and conditions of this lease and other legal documents that are part of this transaction. We understand the way these terms and conditions will affect our rights as holders of the lease and owners of the improvements now and in the future.

In particular we understand and agree with the provisions of the lease that are noted in the following paragraphs, recognizing that these are only generally summarized here and are not the only significant provisions in the lease.

Because one of the purposes of Local Land Trust is to see that the Leased Premises continue to be used for sustainable agriculture by people whose primary purpose is farming, the lease requires that we generate a certain minimum annual income from farming this parcel of land. The lease also requires that, as long as we lease the premises we must make it our home (occupying it for at least 10 months of each year).

If we want to terminate the lease and sell the house and other permanent improvements on the land, the lease requires – in order to see that the improvements are passed on to other qualified farmers – that we sell them either to Local Land Trust or to another “Qualified Person” approved by Local Land Trust. The lease also limits the price for which we can sell the improvements, in order to keep them affordable for farmers.

We can leave the improvements to our heirs and, provided these heirs demonstrate to Local Land Trust that they are Qualified Persons, they can assume the lease and own the improvements for as long as they want to occupy and use the Premises in accordance with the terms of the lease, or they can terminate the lease and sell the improvements on the terms permitted by the Lease.

The lease includes certain land use “restrictions and requirements” that are designed to ensure that the land is used in an environmentally sound manner and that its value as agricultural land is preserved.

It is our desire to see the terms of the lease and related documents honored. We consider these terms fair to ourselves and others.

Sincerely,

_____, and

Sample Letter of Acknowledgment

To: Local Land Trust.

Date: _____

I, _____, have been independently employed by _____ and _____ (hereinafter “the Clients”) who intend to purchase the improvements (a house, barns and other agricultural improvements) on land to be leased from Local Land Trust. The improvements and land are located at _____.

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

- a) this Letter of Acknowledgment and a letter of stipulation from the Clients;
- b) a proposed Deed conveying the improvements to the Clients;
- c) a proposed Ground Lease conveying the “Leased Premises” to the Clients;
- d) other written materials provided by the Local Land Trust.

The Clients have received accurate information regarding this conveyance and the foregoing documents. I have reasonably informed the Clients of the present and foreseeable risks and legal consequences of the contemplated transaction.

The Clients are entering the aforesaid transaction in reliance on their own judgment and upon their investigation of the facts. The advice and information provided by me was an integral element of such investigation.

Name

Date

Title

Firm/Address

Exhibit D: FIRST REFUSAL

Whenever any party under the Ground Lease shall have a right of first refusal as to certain property, the following procedures shall apply. If the owner of the property offering it for sale (“Offering Party”) shall within the term of the Ground Lease receive a bona fide third party offer to purchase the property 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 Ground Lease) to go forward with the sale which the Offering Party desires to accept, and to sell the property within one (1) year following the expiration of the Election Period on terms and conditions which are not materially more favorable to the purchaser than those set forth in the Notice. If the sale is not consummated within such one-year period, the Offering Party's right 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 a renewed right of first refusal in said property.

Exhibit E: REQUIREMENTS AND RESTRICTIONS (*SAMPLE*)

Land Use Restrictions

The following uses of the Premises and activities on the Premises are prohibited.

1. Any use or activity that causes or is likely to cause significant soil degradation or erosion or significant pollution of any surface or subsurface waters or any other significant pollution of the environment.
2. The dumping, storage or disposal of wastes, refuse, debris, or hazardous substances, except organic compost material and composting operations.
3. The spreading of animal manure on any portion of the Premises between the first day of November and the first day of March of each year, or at any time when the ground is snow-covered or frozen.
4. The cutting, removal or destruction of live trees except for the removal of trees to control insects and disease or prevent personal injury or property damage or for use as firewood or the construction of fences on the Premises or Adjacent Premises, and except for the harvesting of timber in accordance with a sustainable forest management plan approved by Lessor.
5. The use of the Premises primarily for the production of sod, nursery stock, ornamental shrubs, ornamental trees or other similar products not used for food, clothing or to meet other basic human needs (collectively, the "Restricted Products"). Annual revenue from the sale of such Restricted Products shall not exceed ____ percent (__%) of gross annual sales of all agricultural commodities produced on the Premises and Adjacent Premises.
6. The establishment or maintenance of any commercial feedlot, which is defined for the purposes of this Lease as a confined area or facility within which the land is not grazed or cropped at least annually, and which is used primarily to receive and hold livestock that has been raised off the Premises.
7. The disposal or storage on the Premises of motorized vehicles other than currently operating vehicles used on the roads or as required for permitted agricultural purposes.

Livelihood from Farming

As a condition of the Lease, the Lessees shall actively participate in providing day-to-day labor and management for farming activities on the Premises and, through such day-to-day effort, shall earn at least _____ dollars (\$_____) in gross annual revenue from the sale of agricultural commodities produced on the Premises.

Amendment

The terms and conditions of this Exhibit E may be amended by mutual agreement of the Parties. Either party may propose an amendment to the other. No amendment shall become effective unless both parties sign an agreement fully stating the amendment and their mutual approval of it.

Exhibit F: DEED (SAMPLE)

Warranty Deed

Between

LOCAL LAND TRUST (Grantor), a not-for-profit corporation having its principal offices at _____, _____, _____, and

JOHN AND MARY DOE (Grantees), residing at _____, _____, _____.

Witnesseth

That Grantor, in consideration of one dollar and other good and valuable consideration paid by Grantees, does hereby grant and release unto Grantees, their heirs or successors and assigns forever,

THE BUILDINGS AND IMPROVEMENTS ONLY, as presently erected on the premises described in Schedule "A" attached hereto and made a part hereof.

It is the intention of the parties that the real property underlying the buildings and improvements conveyed herein remain vested in Grantor and that this warranty deed convey only such buildings and improvements as are presently erected upon the subject premises.

In witness whereof, as authorized agent of Grantor, I hereunto set my hand this ____ day of _____, A.D. 20__.

signature

[notarize signature]

Exhibit G: PERMITTED MORTGAGES

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

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

1) Such Mortgage shall run in favor of either (a) a so-called “institutional lender” such as, but not limited to, a federal, state, or local housing finance agency, a bank (including savings and loan association or insured credit union), an insurance company, a pension and/or profit-sharing fund or trust, or any combination of the foregoing, the policies and procedures of which institutional lender are subject to direct governmental supervision, or (b) a “community development financial institution” as certified by the U.S. Department of the Treasury, or similar non-profit lender to housing projects for low and moderate income persons.

2) Such Mortgage shall be a first lien on all or any of the Improvements and the Lessee’s interest in the Leased Premises (the “Security”).

3) Such Mortgage and related documentation shall provide, among other things, that in the event of a default in any of the mortgagor’s obligations thereunder, the holder of such Mortgage shall notify Lessor of such fact and Lessor shall have the right (but shall not have the obligation) within 120 days after its receipt of such notice, to cure such default in the mortgagor’s name and on mortgagor’s behalf, provided that current payments due the holder during such 120-day period (or such lesser time period as may have been required to cure such default) are made to the holder, and shall further provide that said holder shall not have the right, unless such default shall not have been cured within such time, to accelerate the note secured by such Mortgage or to commence to foreclose under the Mortgage on account of such default.

4) Such Mortgage and related documentation shall provide, among other things, that if after such cure period the holder intends to accelerate the note secured by such Mortgage or initiate foreclosure proceedings under the Mortgage, in accordance with the provisions of this Lease, the holder shall first notify Lessor of its intention to do so and Lessor shall have the right, but not the obligation, upon notifying the holder within thirty (30) days of receipt of said notice from said holder, to pay off the indebtedness secured by such Mortgage and to acquire such Mortgage.

5) Such Mortgage and related documentation shall provide, among other things, that, in the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure, upon acquisition of title to the Improvements and the Lessee’s interest in the Leased Premises by the Permitted Mortgagee, the Permitted

Mortgagee shall give the Lessor written notice of such acquisition and the Lessor shall have an option to purchase the Improvements and acquire the Lessee's interest in the Leased Premises from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage; provided, however, that the Lessor gives written notice to the Permitted Mortgagee of the Lessor's intent to purchase the Improvements and acquire the Lessee's interest in the Leased Premises within thirty (30) days following the Lessor's receipt of the Permitted Mortgagee's notice of such acquisition of the Improvements and Lessee's interest; further provided that Lessor shall complete the purchase of the Improvements and acquisition of Lessee's interest in the Leased Premises within sixty (60) days of having given written notice of its intent to purchase; and provided that, if the Lessor does not complete the purchase within such period, the Permitted Mortgagee shall be free to sell the Improvements and transfer the Lessee's interest in the Leased Premises to another person;

6) Such Mortgage and related documentation shall not contain any provisions other than provisions generally contained in mortgages used for similar transactions in the _____ area by institutional mortgagees.

7) Such Mortgage and related documentation shall not contain any provisions which could be construed as rendering Lessor or any subsequent holder of the Lessor's interest in and to this Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt evidenced by such note and such Mortgage or any part thereof.

8) Such Mortgage and related documentation shall contain provisions to the effect that the holder of such Mortgage shall not look to Lessor or Lessor's interest in the Leased Premises, but will look solely to Lessee, Lessee's interest in the Leased Premises, the Improvements, or such other buildings and improvements which may from time to time exist on the Leased Premises, for the payment of the debt secured thereby or any part thereof (It is the intention of the parties hereto that Lessor's consent to such Mortgage shall be without any liability on the part of Lessor for any deficiency judgement).

9) Such Mortgage and related documentation shall provide that in the event any part of the Security is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the holder of the Mortgage in accordance with the provisions of ARTICLE 9 hereof.

10) Such Mortgage and related documentation shall contain nothing that obligates Lessor to execute an assignment of the Ground Lease Fee or other rent payable by Lessee under the terms of this Lease.

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

1) A Permitted Mortgagee shall without requirement of 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 by a Permitted Mortgagee being effective as if it had been undertaken and performed by Lessee;

b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Lessee by this Lease or otherwise by law, subject to the provisions, if any, in said Permitted Mortgage, which may limit any exercise of any such right, remedy or privilege; and

c) rely upon and enforce any provisions of the Lease to the extent that such provisions are for the benefit of a Permitted Mortgagee.

2) Permitted Mortgagee shall not, as a condition to the exercise of its rights under the Lease, be required to assume personal liability for the payment and performance of the obligations of the Lessee under the Lease. Any such payment or performance or other act by Permitted Mortgagee under the Lease shall not be construed as an agreement by Permitted Mortgagee to assume such personal liability except to the extent Permitted Mortgagee actually takes possession of the Security and the premises. In the event Permitted Mortgagee does take possession of the Security and thereupon transfers the Security, any such transferee shall be required to enter into a written agreement assuming such personal liability and upon any such assumption the Permitted Mortgagee shall automatically be released from personal liability under the Lease.

3) In the event that title to the estates of both Lessor and Lessee shall be acquired at any time by the same person or persons, no merger of these estates shall occur without the prior written declaration of merger by Permitted Mortgagee, so long as Permitted Mortgagee owns any interest in the Security or in a Permitted Mortgage. In the event that the estate of Lessor is owned at any time by Lessee (regardless of a merger), or by any person in which Lessee has a direct or indirect interest, Permitted Mortgagee shall not be obligated to cure any default of Lessee under the Lease as condition to the forbearance by Lessor in the exercise of Lessor's remedies as provided in the Lease.

4) If the Lease is terminated for any reason, or in the event of the rejection or disaffirmance of the Lease pursuant to bankruptcy law or other law affecting creditors' rights, Lessor shall enter into a new lease of the Leased Premises with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to Lessor's approval, which approval shall not be unreasonably withheld), not more than thirty (30) days after the request of the Permitted Mortgagee. Such lease shall be for the remainder of the term of the Lease, effective as of the date of such termination, rejection or disaffirmance, and upon all the terms and provisions contained in the Lease. However, the Permitted Mortgagee shall make a written request to Lessor for such new lease within sixty (60) days after the effective date of such termination, rejection or disaffirmance, as the case may be. Such written request shall be accompanied by a copy of such new lease, duly executed and acknowledged by the Permitted Mortgagee or the party designated by the Permitted Mortgagee to be the Lessee thereunder, and the Permitted Mortgagee shall have cured all defaults under the Lease which can be cured by the payment of money. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Premises as the Lease. The provisions of this

Section shall survive the termination, rejection or disaffirmance of the Lease and shall continue in full effect thereafter to the same extent as if this Section were independent and an independent contract made by Lessor, Lessee and the Permitted Mortgagee.

5) The Lessor shall have no right to terminate the Lease during such time as the Permitted Mortgagee has commenced foreclosure in accordance with the provisions of the Lease and is diligently pursuing the same.

6) In the event that Lessor sends a notice of default under the Lease to Lessee, Lessor shall also send a notice of Lessee's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Section 14.2 of the Lease to the Permitted Mortgagee at the address which has been given by the Permitted Mortgagee to Lessor by a written notice to Lessor sent in the manner set forth in said Section 14.2 of the Lease.