

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO	CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY) N/A
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TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): Real Estate Assets	DATE: 5/9/2016
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SUBJECT: Amend the Ground Lease between City of San Diego and San Diego Community Land Trust concerning 3.3 acres of City-owned land south of Elrose Drive between Lauriston Drive and Paxton Drive in the Otay Mesa-Nestor community of San Diego.

PRIMARY CONTACT (NAME, PHONE): Mary Carlson, 619-236-6079, MS 51A	SECONDARY CONTACT (NAME, PHONE): Cybele Thompson, 619-236-6145, MS 51A
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COMPLETE FOR ACCOUNTING PURPOSES

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE):

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Environmental Analysis	ORIG DEPT.	Thompson, Cybele	05/09/2016
Liaison Office	CFO		
Financial Management	DEPUTY CHIEF		
Comptroller	COO		
	CITY ATTORNEY	Bevier, Debra	
	COUNCIL PRESIDENTS OFFICE		

PREPARATION OF: RESOLUTIONS ORDINANCE(S) AGREEMENT(S) DEED(S)

Authorize the Mayor or his designee to amend the ground lease's quitclaim deed set forth as Exhibit C to the Purchase and Sale Agreement, which is Exhibit B to the ground lease, as requested by San Diego Community Land Trust.

STAFF RECOMMENDATIONS:
Approve Requested Action.

SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)	
COUNCIL DISTRICT(S):	8
COMMUNITY AREA(S):	Otay Mesa – Nestor
ENVIRONMENTAL IMPACT:	This activity, amending the ground lease by revising the ground lease's quitclaim deed set forth as Exhibit C to the Purchase and Sale Agreement which is Exhibit B to the ground lease concerning the sale of 3.3 acres of City owned land, is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3). The sale of the 3.3 acres was determined to be exempt from CEQA pursuant to CEQA Guidelines Section 15301 (Existing Facilities) and Section 15312(Surplus Government Property Sales) on November 21, 2013.
CITY CLERK INSTRUCTIONS:	DO NOT RECORD – please deliver documents to Real Estate Assets Department, Attn: Mary Carlson, MS 51-A for further handling.

**COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO**

DATE: 5/9/2016

ORIGINATING DEPARTMENT: Real Estate Assets

SUBJECT: Amend the Ground Lease between City of San Diego and San Diego Community Land Trust concerning 3.3 acres of City-owned land south of Elrose Drive between Lauriston Drive and Paxton Drive in the Otay Mesa-Nestor community of San Diego.

COUNCIL DISTRICT(S): 8

CONTACT/PHONE NUMBER: Mary Carlson/619-236-6079, MS 51A

DESCRIPTIVE SUMMARY OF ITEM:

Authorize the Mayor or his designee to amend the Ground Lease between City and San Diego Community Land Trust, concerning the sale of 3.3 acres of City-owned land south of Elrose Drive between Lauriston Drive and Paxton Drive, by revising the quitclaim deed set forth as Exhibit C to the Purchase and Sale Agreement which is Exhibit B to the ground lease: 1) Allow the removal of the restriction on the use of the "Uniform Community Land Trust Ground Lease Rider" (Rider), so that Land Trust will be allowed to use the Fannie Mae Form 2100 Rider, in the form that said Rider exists as of the date of the Resolution; 2) Allow the removal of the City's reversionary interests in the subject property; and 3) Allow the subject property to be encumbered or used to secure the payment of any lien or loan without the City's approval where SDCLT uses the Community Land Trust Ground Lease and Rider.

STAFF RECOMMENDATION:

Approve Requested Action.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

In 2013, the San Diego Community Land Trust, a California nonprofit 501(c)(3) corporation ("Land Trust"), approached the City to purchase 3.3 acres of City-owned land south of Elrose Drive between Lauriston Drive and Paxton Drive in the Otay Mesa-Nestor community of San Diego (the "Property"). The Land Trust intends to provide a public benefit by developing 16 homes on the Property, which will be sold as permanently affordable housing to income-qualified buyers with an underlying land lease for each lot.

In November of 2013, City Council authorized a 5-year Ground Lease. The Ground Lease allows the Land Trust to perform its due diligence to determine the feasibility of purchasing and developing the Property.

The Ground Lease contains an option for the Land Trust to purchase the Property, exercisable if the Land Trust satisfies certain conditions within 5-years. The Ground Lease has, as Exhibit B, a negotiated Purchase & Sale Agreement which includes, as Exhibit C, a Quitclaim Deed, both of which are to be used by the parties should the Land Trust exercise its option to purchase (R-308556).

In 2015, the Land Trust approached the City and requested various changes to the Ground Lease. The City considered the Land Trust's request for changes and recommends making the following three revisions to the Quitclaim Deed:

1) Allowing the use of the Rider under the condition that the Land Trust agrees to take on the obligation to cure any buyer default and ensure that the homeownership units be Affordable Housing to Income-Qualified Buyers in perpetuity. (For future clarification purposes, a copy of the Rider will be attached to the revised Quitclaim Deed, and for the Council's purposes is attached to this Executive Summary as Attachment 1).

- - The Quitclaim Deed as currently drafted specifically prohibits "any 'Uniform Community Land Trust Ground Lease Rider' ("Rider") or other encumbrance or creation of interest that would interfere with or modify the conditions and restrictive covenants" in the Quitclaim Deed. The Rider was prohibited because, in the event of a homeowner default/foreclosure, affordability restrictions and income qualifying criteria would be lifted. The revised language prevents the lifting of the qualifying criteria.

2) Agreeing to remove the reversion clause.

- - The Quitclaim Deed as currently drafted reserves the City's right to exercise its reversionary interest for the Land Trust's breach of any condition or covenant in the Quitclaim Deed. Although the revised language will remove the reversion clause, it is highly unlikely that a breach sufficient to allow such an event would ever occur.

3) Agreeing that the Property may be encumbered where the Land Trust uses the Community Land Trust Ground Lease and Rider (attached to the revised Quitclaim Deed, and for the Council's purposes is attached to this Executive Summary as Attachment 2).

- - The Quitclaim Deed as currently drafted requires the City's written approval in order for the Land Trust to encumber the Property to secure payment of liens or loans. The revised language will allow the Land Trust to encumber the Property without the City's prior written approval as long as the Land Trust utilizes the agreed upon documents.

To summarize the above, this item is requesting authorization of the following three changes to the ground lease's Quitclaim Deed:

- 1) removal of the restriction on the use of the Rider;
- 2) removal of the clause granting the City the right to exercise its reversionary interest, and;
- 3) allowing the Property to be encumbered or used to secure the payment of any lien or loan without the City's approval where SDCLT uses the Community Land Trust Ground Lease and the Rider.

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #3: Create and sustain a resilient and economically prosperous City.

Objective #1: Create dynamic neighborhoods that incorporate mobility, connectivity, and sustainability.

FISCAL CONSIDERATIONS: N/A

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

N/A - EOCP Memo of 11/14/11.

PREVIOUS COUNCIL and/or COMMITTEE ACTION (describe any changes made to the item from what was presented at committee):

This item will be heard at the Smart Growth and Land Use meeting on June 29, 2016.

R-308556, date of Final Passage November 21, 2013 authorized Ground Lease Containing a Purchase Option.

Various Council actions and Resolutions were taken in 1985-1990 regarding City liabilities and acquisition of the property.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: N/A

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

City of San Diego, the San Diego Community Land Trust, the neighboring property owners and the Otay Mesa-Nestor community. The projected impact is the development of 16 homes as affordable housing to income-qualified buyers.

Thompson, Cybele

Originating Department

Deputy Chief/Chief Operating Officer

Community Land Trust Ground Lease Rider

[For use with CLT ground leases substantially based on either the Institute for Community Economics or the National Community Land Trust Network model ground lease as identified in Fannie Mae's *Selling Guide*]

THIS COMMUNITY LAND TRUST GROUND LEASE RIDER (the "Rider") is made this _____ day of _____, _____, and amends and supplements a certain ground lease (referred to herein as "the CLT Ground Lease") dated _____ that is by and between _____ 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" but may otherwise be referred to in the CLT Ground Lease as "Homeowner"). 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.

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, referred to herein as the "Improvements." The Leased Land and the Improvements are collectively referred to herein as the "Leased Premises."

This Rider amends the CLT Ground Lease for the purpose of enabling the Lessee to obtain Fannie Mae financing in the form of a mortgage or deed of trust given this ___ day of _____, _____, 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 "Permitted Mortgage" (or as such concept is otherwise defined) under the CLT Ground Lease, and the holder of the Specified Mortgage (the "Specified Mortgagee") is recognized as a "Permitted Mortgagee" (or as such concept is otherwise defined) under the CLT Ground Lease.

ADDITIONAL COVENANTS. Notwithstanding anything to the contrary contained in the CLT Ground Lease, and in addition to the covenants and agreements made in the CLT Ground 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 CLT Ground Lease as modifications thereof:

A. 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.

B. 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 as a primary residence by the Lessee, (b) limitation on assignment of, or sublease under, the Lease, (c) the price at which the Leasehold Estate may be transferred, and (d) the income of successive transferees, assignees or successors, 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 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, or by use of a recognition agreement derived from a sample the Specified Mortgagee may obtain from Fannie Mae. 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.

C. Termination, Forfeiture and Modification of Lease. There shall be no termination, forfeiture, or modification of the Lease, except as provided in this Rider, without the prior written consent 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 (the "Ground Lease Fee"), 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 Fee 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; 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 Fee.

D. New Lease. In the event the Lessee's interest in the Lease has been terminated, forfeited, or surrendered as provided in the Lease, and the Specified Mortgage remains outstanding, a new Lease shall automatically be created between the Lessor and the Specified Mortgagee, which Lease shall be for the remainder of the term of the Lease, with the same priority thereto, and shall be subject to the same terms of the Lease as would be applicable pursuant to Section E.1. below where the Specified Mortgagee had accelerated its note, foreclosed on the Specified Mortgage, taken an assignment in lieu of foreclosure, or exercised its other remedies for default.

E. 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. Upon the occurrence of an Event of Default under the Specified Mortgage, 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; provided, however, the Specified Mortgagee shall have no obligation to give formal legal notice of the Event of Default to the Lessor.

2. 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. If 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 such default.
3. Should the Lessor not choose to cure an Event of Default as specified above, the Lessor shall nevertheless have the option to purchase from the Specified Mortgagee its interest in the Leasehold Estate on the Leased Premises for the full amount owing to the Specified Mortgagee under the Specified Mortgage as of the date of closing of the purchase, upon written notice given by the Specified Mortgagee (the "Mortgagee Option Notice") not later than 60 days following acquisition of title to the Leasehold Estate by the Specified Mortgagee by foreclosure or by an assignment in lieu of foreclosure; 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. If the Lessor elects to exercise such option to purchase, the Lessor shall give written notice to the Specified Mortgagee of the Lessor's intent to purchase the Leasehold Estate (the "Lessor Option Notice") within 45 days following the Specified Mortgagee's giving of the Mortgagee Option Notice; provided, however, at the option of the Lessor, in the event the Mortgagee Option Notice is given prior to the completion of foreclosure proceedings by the Specified Mortgagee, the Lessor shall, within such 45-day period, be able to give a written notice to the Specified Mortgagee that it will 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.

The Lessor shall complete the purchase of the Specified Mortgagee's interest in the Leasehold Estate within 60 days of giving the Lessor Option Notice. If the Lessor does not complete the purchase within the allotted 60 days, the Specified Mortgagee shall be free to sell its interest to another person or entity. Further, if the Lessor does not complete the purchase within the allotted 60 days, the Lessor agrees to pay to the Specified Mortgagee its 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. If the Lessor does not purchase the Specified Mortgagee's interest in the Leasehold Estate as described herein, the Leasehold Estate may be transferred, mortgaged and sublet an unlimited number of times, and the Lessor shall not require a credit review or impose other qualifying criteria on any such transferee, mortgagee or sublessee.

4. In the event of foreclosure or assignment in lieu of foreclosure, which results in the conveyance of the Leasehold Estate on the Leased Premises from the Lessee, any adjustment of the Ground Lease Fee to reflect then current fair market rental value as provided in the Lease, shall be subject to the approval of the Specified Mortgagee. The Specified Mortgagee and the Lessor shall attempt to resolve any dispute concerning such adjustment of the Ground Lease Fee, 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 Mortgagee, all provisions of the Lease regarding (a) occupancy of the Leased Premises as a primary residence 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 successive transferees, assignees or successors. The foregoing sentence shall not be construed to invalidate other Lease provisions regarding permitted use of the Leased Premises. Any transfer or assignment of the Leasehold Estate encumbered by the Specified Mortgage as provided for in this paragraph shall be deemed a permitted sale, transfer or assignment of the Lease and the Leasehold Estate. Further, in such event, the Leasehold Estate may be transferred, mortgaged and sublet an unlimited number of times, and the Lessor shall not require a credit review or impose other qualifying criteria on any such transferee, mortgagee or sublessee.

F. Lease Default. There shall be no forfeiture or termination of the Lease except for (i) the nonpayment of amounts due under the Lease, and (ii) violation of one or more provisions of the Lease addressing the following: (a) prohibition or restrictions on the sale or transfer of the Lessee's interest (however, non-sale transfers resulting from marriage, divorce, death of a spouse, or a transfer otherwise permitted by applicable federal law, may not constitute a basis for default under the Lease, though the Lessor may require such transferee to agree to assume the transferor's obligations under the Lease), and (b) requirement that the Lessee occupy the Leased Premises as primary residence. 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. Further, the Specified Mortgagee shall become subrogated to any and all rights of the Lessee with respect to such curing of a default. 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.

G. 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.

H. 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.

I. 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 Fee as a result of a partial destruction or taking.

J. Force Majeure. The Lessee shall not be in default where performance is delayed or prevented by "Acts of God," war, civil commotion, strikes, labor disputes or the like.

K. 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.

L. Arbitration. The Specified Mortgagee shall have the right to participate in any arbitration or legal proceedings between the Lessor and the Lessee. Any arbitration proceedings shall be conducted in accordance with arbitration statutes applicable in the state where the Leased Premises are located.

M. 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.

N. 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.

O. 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.

P. **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:

By: _____

Title: _____

LESSEE:

(Add notaries)

Instructions

Community Land Trust Ground Lease Rider

The Community Land Trust (CLT) Ground Lease Rider ensures the ground lease conforms to Fannie Mae's guidelines for mortgages secured by properties held under a community land trust ground lease.

Lenders should ensure their CLT partners approve the use of the revised version of Form 2100 (3/06 rev. 12/10). Loans are not eligible for purchase if delivered with prior versions of this form.

Copies

Original.

Printing Instructions

The PDF version of the form must be printed on letter size paper, using portrait format.

Instructions

The Community Land Trust Ground Lease Rider must be executed by both the lessor and lessee and must be recorded along with the ground lease.

Ground Lease and Purchase Option

between

San Diego Community Land Trust

SDCLT

and

Homeowner

Dated as of _____, 20__

Note: this lease template is for a home or townhome that sits on an individual parcel of land. For projects with unsubdivided land, the lease would look very similar but the owners would each lease an “undivided interest” in the underlying land. When there is an HOA with maintenance and insurance responsibilities, the relevant sections of the lease would be modified to reflect those responsibilities.

Address of Premises:

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GROUND LEASE

This GROUND LEASE is made and entered into this ___ day of _____, 20___, by and between San Diego Community Land Trust Incorporated (“SDCLT,” or “the SDCLT”), a California non-profit public benefit corporation, and _____ (“Homeowner” or “the Homeowner”).

The following Recitals and Definitions are a substantive part of this Lease. Capitalized terms used in the Definitions section shall have the meaning set forth therein unless otherwise defined in this Lease.

RECITALS

- A. SDCLT is organized exclusively for charitable purposes, including: to lessen the burdens of government by assisting local governments in San Diego County, California (the “County”) to ensure that its residents are able to secure housing by, among other things, developing, constructing, financing, managing, selling, renting, subsidizing, and monitoring single- and multi-family housing, and to conduct or perform any ancillary or related activity in furtherance of the foregoing.
- B. A goal of SDCLT is to stimulate the conveyance of decent, affordable housing among low- and moderate-income households by providing access to housing for such persons at affordable prices through the long-term leasing of land under said housing.
- C. The Land described hereunder has been acquired and is being ground leased by SDCLT in furtherance of these charitable purposes.
- D. The SDCLT and Homeowner recognize the special nature of the terms and conditions of the Lease, and each of the parties hereto freely accepts said terms and conditions, including, without limitation, such terms and conditions as might affect the marketability and resale price of any residential structures or other improvements on the Land being leased from SDCLT.
- E. Therefore, in consideration of the foregoing recitals, the mutual promises of the parties hereto and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the SDCLT and Homeowner agree as follows:

DEFINITIONS

- a) "**Additional Ground Lease Fee**" shall mean any amounts due SDCLT from Homeowner pursuant to Sections 5.7, 6.4, 7.4, 8.1, 9.3, 9.4 and 14.6 of this Lease.
- b) "**Capital System**" shall mean the roof, plumbing, foundation, electrical, heating, cooling unit(s) and water and sewer line systems.
- c) "**Eligible Capital Improvements**" shall mean only those improvements approved in writing by the SDCLT or its designee in accordance with SDCLT’s Capital Improvements Policy as revised from time to time.

- d) "**Full Replacement Value**" means the actual replacement cost of the improvements on the Leased Land as determined from time to time less exclusions provided in the normal hazard insurance policy.
- e) "**Home**" shall mean the buildings, structures and residential improvements, including the building fixtures, now or in the future located on and permanently affixed to the Land.
- f) "**Income Qualified Resident**" shall mean a person or group of persons within a household whose combined income does not exceed the limits specified in Section 10.2 of this Lease.
- g) "**Jurisdiction**" shall mean _____, California.
- h) "**Land**" shall mean that land composed of the parcel(s), upon which the Home will be located, which land is being leased to the Homeowner pursuant to this Lease, as is more fully described in the attached Exhibit B.
- i) "**Lease**" or "**Ground Lease**" shall mean this Ground Lease made and entered into by the SDCLT and Homeowner on the date set forth herein and shall include any and all amendments made to this Lease.
- j) "**Lease Term**" shall mean the ninety-nine (99) year period set forth in Section 3.1 below, or such shorter or longer period during which this Lease shall operate if earlier terminated or later extended in accordance with the provisions of this Lease and the approval of Lenders, if required.
- k) "**Permitted Mortgages**" shall mean A mortgage or deed of trust on the Home and the Homeowner's right to possess, occupy and use the Leased Land granted to a lender by the Homeowner with the SDCLT's Permission. The Homeowner may not mortgage the SDCLT's interest in the Leased Land, and may not grant any mortgage or deed of trust without SDCLT's Permission. "**Permitted Mortgagee**" shall mean **each and all of the** lenders providing the loans to Homeowner as set forth in Section 8.1.

**ARTICLE 1:
LETTER OF STIPULATION AND CERTIFICATIONS**

1.1 LETTER OF STIPULATION

Attached hereto as Exhibit A and made part of this Lease by reference is a Letter of Stipulation of Homeowner setting forth their review and understanding of this Lease (in particular, Article 10 hereof), the terms and conditions contained herein, and related documents for this transaction.

1.2 HOMEOWNER CERTIFICATIONS

The Homeowner certifies that (i) the financial and other information previously provided in order to qualify to lease the Leased Land is true and correct as of the date first written above, (ii) the Homeowner shall occupy the Leased Land and Home as Homeowner's principal place of residence during the entire term of this Ground Lease, (iii) the Homeowner is an Eligible Purchaser as hereinafter defined; (iv) Homeowner will fully cooperate with SDCLT in providing

all information requested by SDCLT in monitoring Homeowner's compliance with this Ground Lease within ten (10) business days of SDCLT's request for such information. Homeowner acknowledges that failure by the Homeowner to occupy the Leased Land as Homeowner's principal place of residence at all times during the entire term of this Ground Lease or to provide true and correct income information shall result in termination of this Ground Lease.

**ARTICLE 2:
LEASING OF RIGHTS TO THE LAND**

2.1 SDCLT LEASES THE LAND TO THE HOMEOWNER

The SDCLT, in consideration of the rents reserved and the terms, conditions, covenants and agreements herein, does hereby demise and leave unto Homeowner, and Homeowner does hereby take and hire from SDCLT, the property described in Exhibit B attached hereto ("Leased Land"). Homeowner acknowledges having received a copy of the most current, if any, title report for the Leased Land, and Homeowner accepts title to the Leased Land in its condition "as is" as of the execution of this Lease.

2.2 RESERVATION OF MINERAL RIGHTS

SDCLT reserves to itself all the minerals and other extractive resources in, on, or under the Leased Land. This reservation shall not diminish the right of Homeowner to occupy and freely use the Leased Land. Any extraction by SDCLT of minerals or other extractive resources shall be carried out without a surface right of access and otherwise without material disruption of Homeowner.

**ARTICLE 3:
DURATION OF LEASE**

3.1 PRINCIPAL TERM

The term of this Lease (the Term") shall be 99 years, commencing on the ___ day of _____, 20__, and terminating on the _____ day of _____, 21____, unless terminated sooner or extended as provided below.

3.2 HOMEOWNER CAN RENEW LEASE FOR ANOTHER 99 YEARS

Homeowner may renew this Lease for one additional period of 99 years. The SDCLT 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 Homeowner under the Lease. Not more than 365 nor less than 180 days before the last day of the first 99-year period, SDCLT shall give Homeowner 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 SDCLT intends to make in the Lease for the renewal period as permitted above.

The Homeowner 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 Homeowner shall give SDCLT written notice stating the Homeowner'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 Homeowner shall not be in default under this Lease or under any Permitted Mortgage on the last day of the original 99-year term.

When Homeowner has exercised the option to renew, Homeowner and SDCLT shall sign a memorandum stating that the option has been exercised. The memorandum shall comply with the requirements for a notice of lease as stated in Section 14.12 below. The SDCLT shall record this memorandum in accordance with the requirements of law promptly after the beginning of the renewal period.

3.3 WHAT HAPPENS IF SDCLT DECIDES TO SELL THE LEASED LAND

In the event that ownership of the land comprising the Leased Land ("the Land") is conveyed or transferred (whether voluntarily or involuntarily) by SDCLT to any other person or entity, this Lease shall not cease, but shall remain binding and unaffected. However, in the event SDCLT desires or attempts to convey the Land to any person or entity other than a nonprofit corporation, charitable trust, governmental agency or other similar entity sharing the goals described in the Recitals above (or as security for a mortgage loan), the Homeowner shall have a right of first refusal to purchase the Land. The details of this right shall be as stated in the attached Exhibit First Refusal. Any sale or transfer contrary to this Section 3.3 shall be null and void.

**ARTICLE 4:
USE OF LEASED LAND**

4.1 HOMEOWNER MAY USE THE HOME ONLY FOR RESIDENTIAL RELATED PURPOSES

Homeowner shall use, and shall cause all occupants thereof to use, the Leased Land and Home (as defined in Section 7.1 below) only for residential purposes and such incidental activities related to residential use that are currently permitted by applicable zoning law.

4.2 HOMEOWNER MUST USE THE HOME AND LEASED LAND RESPONSIBLY AND IN COMPLIANCE WITH THE LAW

Homeowner shall use the Leased Land in a manner so as not to create any nuisances, public or private. Homeowner shall dispose of any and all waste in a safe and sanitary manner. Homeowner shall use the Leased Land and Home in a manner consistent with all applicable laws, ordinances, rules and regulations of any governmental authority with jurisdiction over the Leased Land and Home and acknowledges that failure to abide by this provision may result in a termination of this Lease. Homeowner shall, at Homeowner's sole expense, maintain the Leased Land and all Home in good, safe, and habitable condition in all respects except for normal wear and tear, and in full compliance with all applicable laws, ordinances, rules and regulations of any governmental authority with jurisdiction over matters concerning the condition of the Leased Land and Home, and in such condition as is required to maintain the insurance coverage required by Section 9.4 of this Lease.

4.3 HOMEOWNER IS RESPONSIBLE FOR USE BY OTHERS

Homeowner shall be responsible for the use of the Leased Land by any residents thereof and their families, friends or visitors or anyone else using the Leased Land with or without their consent.

4.4 HOMEOWNER IS RESPONSIBLE FOR SERVICES AND REPAIRS

SDCLT 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 Land or Home, and Homeowner hereby assumes the full and sole responsibility for furnishing all services or facilities.

4.5 HAZARDOUS MATERIALS AND ENVIRONMENTALLY HARMFUL USES ARE NOT PERMITTED

- (a) **Prohibition of Hazardous Substances.** Homeowner shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Land or Home. Homeowner shall not do, nor allow anyone else to do, anything affecting the Land or Home that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Land or Home of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Land or Home.

- (b) Definition.
- (1) "Hazardous Substances" shall mean those substances defined as toxic or hazardous substances or hazardous waste under any Environmental Law, and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials.
- (2) "Environmental Law" shall mean all federal and state of California laws that relate to health, safety or environmental protection.
- (c) Notice and Remediation. Homeowner shall, as soon as possible but no later than five (5) business days of learning of such event, give SDCLT written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Land or Home and any Hazardous Substance or Environmental Law of which Homeowner has actual knowledge. If Homeowner learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substance affecting the Land or Home is necessary, Homeowner shall, as soon as possible but no later than twenty-one (21) days of such notification or of learning of such event, commence all necessary remedial actions in accordance with Environmental Law and shall diligently pursue such remediation until completion.
- (d) Indemnity. Homeowner shall indemnify SDCLT and its respective agents, employees, officers and board members for the failure of the Homeowner or any other person or entity, other than any Homeowner, to comply with any Environmental Law. This provision shall survive the termination of the Ground Lease.

4.6 HOMEOWNER MUST OCCUPY THE HOME FOR AT LEAST TEN MONTHS EACH YEAR

Homeowner must occupy the Leased Land and improvements for at least 10 months of each calendar year and maintain the Leased Land and improvements as his or her sole, exclusive and permanent place of residence at all times during the term of this Lease. A permanent residence shall mean the home or place in which one's habitation is fixed and to which one, whenever he or she is absent, has a present intention of returning after a departure or absence. In determining what is a permanent residence, the following circumstances relating to the Homeowner may be taken into account: business pursuits, employment, income sources, residence for income or other tax purposes, residence of parents, spouse and children, if any, location of personal and real property, voter registration, motor vehicle registration, and any other information relevant for the purpose of determining the permanent place of residence of the Homeowner. Occupancy by the spouse of the Homeowner, the child or children of the Homeowner, or member(s) of the Homeowner's household who have resided upon the Leased Land for at least one year immediately prior to the Homeowner's planned absence from the Leased Land shall be considered occupancy by Homeowner.

In the event that SDCLT or SDCLT's authorized designee is of the reasonable belief, based on documented and supportable evidence, that Homeowner is not in compliance with Homeowner's obligation to occupy the Leased Land as Homeowner's permanent place of residence, SDCLT shall deliver to Homeowner a written notice of possible occupancy violation (the "Possible Occupancy Violation Notice"). The Possible Occupancy Violation Notice shall set forth the reasons for SDCLT's belief that Homeowner is not using the Leased Land as Homeowner's permanent place of residence. Homeowner shall respond to SDCLT in writing to the Possible Occupancy Violation Notice immediately and in no event later than sixty (60) days after delivery. Homeowner shall set forth in the response any and all reasons, based on documented and supportable evidence, that refute SDCLT's belief that the Leased Land is not being used as Homeowner's permanent place of residence. SDCLT's Board of Directors shall conduct a hearing on the possible occupancy violation at the next regularly scheduled Board of Director's meeting after receipt of Homeowner's response to the Possible Occupancy Violation Notice, or if no meeting is scheduled within six (6) months following receipt of Homeowner's response, then the Board of Directors shall schedule a special meeting to hear the possible occupancy violation within six (6) months of receipt of Homeowner's response. At the hearing, the Board of Directors shall consider any and all evidence in support of SDCLT's and Homeowner's positions, and shall have the authority to ask questions of Homeowner and require additional evidence from Homeowner that is relevant to the determination of the possible occupancy violation. The Board of Directors shall have the power to conduct the hearing in according with any procedures as the Board deems necessary in its reasonable discretion. No later than thirty (30) days after the conclusion of the hearing on the possible occupancy violation, SDCLT's Board of Directors shall issue a decision. In the event that the Board of Directors determines that Homeowner is occupying the Leased Land as Homeowner's permanent place of residence, SDCLT shall not have the authority to terminate the Lease on the basis of a violation of Section 4.6 of this Lease for one (1) year after the date of the Board of Director's decision; provided, however, that the Board of Director's decision on the possible occupancy violation shall have no effect on SDCLT's rights and remedies for any other event of default as may be committed by Homeowner. In the event that the Board of Directors determines that Homeowner is not occupying the Leased Land as Homeowner's permanent place of residence, Homeowner shall have committed an event of default and SDCLT may pursue any of its rights and remedies authorized in Article 12 of this Lease. In the event that Homeowner fails to respond to the Possible Occupancy Violation Notice within sixty (60) days of delivery, SDCLT may deem the failure to timely respond as an event of default and may pursue any of its rights and remedies authorized in Article 12 of this Lease.

4.7 SDCLT HAS A RIGHT TO INSPECT THE LEASED LAND

SDCLT may enter the Leased Land and Home during normal business hours for any one of the following reasons: (i) in case of emergency; (ii) to exhibit the Leased Land and Home to prospective or actual purchasers, mortgagees, tenants, workers, or contractors; (iii) when Homeowner has abandoned or surrendered the Leased Land; and (iv) pursuant to court order. Except for emergencies, SDCLT shall provide written notice to Homeowner no less than twenty-four (24) hours prior to SDCLT's entry if the notice is personally delivered to Homeowner or left on, near, or under the usual entry door for the Leased Land, and no less than six (6) days prior to SDCLT's entry if the notice is mailed to Homeowner. In the event of emergency, SDCLT may enter any portion of the Leased Land, including the interior of Homeowner's Home, without

notice provided SDCLT shall have made reasonable efforts to give advance notice to Homeowner.

4.8 HOMEOWNER HAS A RIGHT TO PEACEFUL ENJOYMENT

Homeowner has the right to undisturbed enjoyment of the Leased Land, and SDCLT has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Homeowner, subject to the terms, covenants, conditions, provisions, restrictions, or reservations of this Lease.

4.9 LEASED LAND MAY NOT BE SUBLEASED WITHOUT SDCLT'S PERMISSION.

Except as otherwise provided in Article 8 and Article 10, Homeowner shall not sublease, sell or otherwise convey any of Homeowner's rights under this Lease, for any period of time, without the written permission of SDCLT. Homeowner agrees that SDCLT shall have the right to withhold such consent in order to further the purposes of this Lease.

If permission for subleasing is granted, the sublease shall be subject to the following conditions.

- a) Any sublease shall be subject to all of the terms of this Lease.
- b) The rental or occupancy fee charged the sub-lessee shall not be more than the amount of the Lease Fee charged the Homeowner by the SDCLT, plus an amount approved by SDCLT to cover Homeowner's costs in owning the Home, including but not limited to the cost of taxes, insurance and mortgage interest.

ARTICLE 5: GROUND LEASE FEE

5.1 AMOUNT OF GROUND LEASE FEE

In consideration of the possession, continued use, and occupancy of the Leased Promises, Homeowner shall pay to SDCLT a monthly payment ("Ground Lease Fee") in an amount equal to the sum of (a) a Land Use Fee of \$_____ to be paid in return for the continuing right to possess, occupy and use the Leased Land, plus (b) a Repair Reserve Fee of \$_____ to be held by the CLT and used for the purpose of preserving the physical quality of the Home for the long term in accordance with Section 7.7 below.

5.2 WHEN THE GROUND LEASE FEE IS TO BE PAID

The Ground Lease Fee shall be payable to the SDCLT, at the address specified in this Lease as SDCLT's address, on the first day of each month for as long as this Lease remains in effect, unless with SDCLT's consent, the Ground Lease Fee is to be escrowed by a Permitted Mortgagee, in which case payment shall be made as specified by that Mortgagee. If the Lease

commences on a day other than the first of the month, a pro-rata portion of the Ground Lease Fee shall be paid for the balance of the month at the time the Lease is executed.

5.3 HOW THE GROUND LEASE FEE HAS BEEN DETERMINED

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

5.4 SDCLT MAY REDUCE OR SUSPEND THE GROUND LEASE FEE TO IMPROVE AFFORDABILITY

At SDCLT's sole election, SDCLT may reduce, delay or waive entirely the Ground Lease Fee at any time and from time to time for the purpose of ensuring affordable monthly housing costs for the Homeowner. Any such reduction, delay, or waiver must be in writing and signed by SDCLT before being effective.

5.5 GROUND LEASE FEE MAY BE INCREASED FROM TIME TO TIME

The Ground Lease Fee stated in section 5.1 above, as adjusted in the way provided below, shall be applicable during the term of this Lease. However, in the event that, for any reason, the provisions of Article 10 regarding transfers of the Home or section 4.6 or 4.9 regarding occupancy are suspended or invalidated for any period of time, then during that time, the Ground Lease Fee shall be increased to an amount calculated by SDCLT to equal the fair rental value of the Leased Land for use not restricted by the provisions of the suspended portions of the Lease. In such event, SDCLT shall notify Homeowner of the amount calculated in this way, and the Ground Lease Fee shall then be this amount.

5.6 GROUND LEASE FEE INCREASED BY ANNUAL CPI CHANGE

Except as provided in Section 5.5, the Ground Lease Fee shall be increased every year during the term of the Ground Lease by the percentage of increase in the Consumer Price Index. "Consumer Price Index" as used in this Ground Lease, means the Consumer Price Index for All Urban Wage Earners and Clerical Workers (San Diego County CA, All Urban Consumers All Items, Base 1982-1984=100), as published by the Bureau of Labor Statistics of the United States Department of Labor. SDCLT shall determine and notify Homeowner of the amount of such yearly increase 30 days prior to the increase taking effect. In the event such index is not in existence when any determination relying on such index under this Lease is to be made, the most comparable governmental index as determined by SDCLT in its sole discretion published in lieu thereof shall be substituted therefore.

5.7 HOMEOWNER RESPONSIBLE FOR PAYMENT OF ADDITIONAL GROUND LEASE FEE

In the event the Homeowner owes any Additional Ground Lease Fee to SDCLT, SDCLT shall determine and notify Homeowner of the time and the manner (e.g. in lump sum or several payments) in which any Additional Ground Lease fee is to be paid by Homeowner. All Additional Ground Lease Fees shall be payable to SDCLT, at the address specified in Section 14.1.

5.8 GROUND LEASE FEE AND ADDITIONAL GROUND LEASE FEE MAY BECOME A LIEN

In addition to any other rights contained in this Ground Lease, in the event any amount of Ground Lease Fee and Additional Ground Lease Fee remains unpaid for a period of fifteen (15) business days after it is due (collectively, the "Debt"), SDCLT shall send written notice to Homeowner specifying the amount of Debt then owed by Homeowner. In the event any amount of Debt remains unpaid for an additional thirty (30) days from the time such notice is sent, the Debt shall be a lien in favor of SDCLT on the Homeowner's interest in the Leased Land and Home from and after the time the SDCLT records a notice of delinquent Debt against the Leased Land and Home in the Official Records (the "Notice of Delinquent Payment"). Any Notice of Delinquent Payment shall indicate the amount of Debt owed by Homeowner to SDCLT and shall include a legal description of the Leased Land and Home. SDCLT shall notify Homeowner prior to recording the Notice of Delinquent Payment against the Leased Land and Home. The lien created in connection with the Notice of Delinquent Payment (the "Debt Lien") shall be prior in right to all other liens arising after the Notice of Delinquent Payment, except all taxes, or other levies which by law would be prior to the Debt Lien and except for the lien of any mortgage recorded prior to the date any such Debt became due.

5.9 SDCLT CAN COLLECT UNPAID FEES WHEN HOME IS SOLD

In the event that any amount of Ground Lease Fee or any Additional Ground Lease Fee remains unpaid when the Home is sold and the Ground Lease is terminated or assigned to another party, any Additional Ground Lease Fee owed shall be paid to SDCLT out of any proceeds from the sale of the Home otherwise due to Homeowner at the time of such sale.

5.10 GROUND LEASE FEE AND ADDITIONAL GROUND LEASE FEE DEEMED TO BE RENT

The Ground Lease Fee and Additional Ground Lease Fee under the terms of this Ground Lease are deemed to be rent for the purpose of California Code of Civil Procedure 1161.

**ARTICLE 6:
TAXES AND ASSESSMENTS**

6.1 HOMEOWNER RESPONSIBLE FOR PAYING ALL TAXES AND ASSESSMENTS

Homeowner shall be responsible for payment of all taxes, charges, fees and governmental assessments that relate to Home and the Leased Land. Homeowner shall also pay directly, when due, all other service bills, homeowner's association fees and assessments, if applicable, and utility charges with respect to the Home or the Leased Land. If SDCLT so elects, Homeowner

shall pay estimated taxes and assessments on a monthly basis into an impound account from which the taxes and assessments will be paid.

6.2 SDCLT REIMBURSED FOR ASSESSMENTS PAID ON HOMEOWNER'S BEHALF

In the event that the local taxing authority bills SDCLT for the taxes, charges, fees or assessments on the Leased Land, SDCLT shall bill Homeowner for this expense and Homeowner shall promptly pay the SDCLT for assessments so billed within thirty (30) days.

6.3 HOMEOWNER HAS A RIGHT TO CONTEST

Homeowner shall have the right to contest the amount or validity of any taxes relating to the Leased Land or Home. SDCLT shall, upon written request by Homeowner, join in any such proceedings if Homeowner shall reasonably determine that it shall be necessary or convenient for SDCLT to so join in order for Homeowner to prosecute such proceedings. All costs and expenses of such proceedings shall be paid by Homeowner. If Homeowner contests any such tax, assessment, or charge, Homeowner may withhold or defer payment or pay under protest, but Homeowner shall protect SDCLT and the Land and Leased Land from the consequences of any such contest being unsuccessful by adequate bond or other security acceptable to SDCLT.

6.4 IF HOMEOWNER FAILS TO PAY TAXES, SDCLT MAY INCREASE GROUND LEASE FEE

In the event that Homeowner fails to pay the taxes or other charges specified in Sections 6.1 and 6.2 above which are not otherwise part of the Ground Lease Fee, SDCLT may increase, but shall not be obligated to increase, Homeowner's Ground Lease Fee in an amount such that the total sum collected will offset the cost of any delinquent and current taxes or other charges. Upon collecting any such amount, SDCLT shall pay the amount collected to the taxing authority or homeowners association as the case may be in a timely manner.

6.5 PARTY THAT PAYS TAXES MUST SHOW PROOF OF COMPLIANCE

Concurrently with the payment of any taxes, assessments, and charges required or permitted by the provisions of this Lease, each party shall, upon request of the other, furnish evidence satisfactory to the other documenting the payment. A photocopy of a paid receipt or a cancelled check for such charges showing payment prior to the due date thereof shall be the usual method of furnishing such evidence.

ARTICLE 7: HOME AND IMPROVEMENTS

7.1 HOMEOWNER OWNS THE HOUSE AND ALL OTHER IMPROVEMENTS ON THE LEASED LAND

Any and all buildings, structures, fixtures, and other improvements purchased by the Homeowner or constructed or placed by the Homeowner upon any part of the Leased Land at any time during the term of this lease (the "Home") shall be and remain property of the Homeowner. However, the Homeowner's exercise of the rights of ownership are limited by

certain provisions of this Lease including the disposition of Home by the Homeowner and the SDCLT's option to purchase the Home. In addition, Homeowner shall not remove or move Home from the Leased Land without approval of SDCLT.

7.2 PURCHASE OF IMPROVEMENTS BY HOMEOWNER

Homeowner is simultaneously purchasing the Home now located on the Leased Land and described in the Deed, the form of which is attached hereto as Exhibit C.

7.3 CONSTRUCTION AND ALTERATION BY HOMEOWNER MUST COMPLY WITH CERTAIN REQUIREMENTS

Any post-purchase construction on the Leased Land requiring issuance of a building permit, including expansion of an existing building, or the alteration of existing Home, is subject to the following conditions: (a) all costs shall be borne and paid for by the Homeowner; (b) all construction shall be performed in a worker-like manner and shall comply with all applicable laws and regulations; (c) all construction shall be consistent with the permitted uses set forth in Article 4; (d) Homeowner shall furnish to SDCLT a copy of any plans and all building permits for such construction prior to commencing construction; and (e) such construction shall not commence without the prior written consent of SDCLT, who, however, shall not unreasonably withhold such consent. SDCLT's approval of any improvement or modification pursuant to this Section 7.3 shall not entitle Homeowner to an increase in the Purchase Option Price pursuant to the provisions of Section 10, below.

7.4 HOMEOWNER MAY NOT ALLOW LIENS TO REMAIN AGAINST THE LEASED LAND OR HOME

Homeowner shall not suffer or permit any vendor's, mechanic's, laborer's, or material man's statutory or similar lien to be filed against the Leased Land, Home, or any interest of the SDCLT or Homeowner that remains more than sixty (60) days after it has been filed. Homeowner 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 Homeowner fails to cause such lien to be discharged within the sixty (60) day period, then, in addition to SDCLT's right to declare a default under this Ground Lease and exercise the remedies set forth in Article 12, SDCLT may, but shall not be obligated to, discharge the lien by paying the amount in question. Any amounts paid by SDCLT to discharge such liens may be charged to Homeowner as an Additional Ground Lease Fee. Homeowner may, at Homeowner's expense, contest the validity of any such asserted lien, but Homeowner shall protect SDCLT and the Leased Land from any consequences of such contest being unsuccessful by adequate bond or the security acceptable to SDCLT.

7.5 PROHIBITION OF OTHER LIENS

Homeowner will not permit or suffer to allow liens of any type to attach to SDCLT's or Homeowner's title to or interest in the Leased Land or this Lease or to any other property owned by the SDCLT. Homeowner shall not suffer or permit any mortgage, deed of trust, promissory note or other lien to be filed against the Leased Land or Home without the express written consent of the SDCLT.

7.6 HOMEOWNER IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS

Homeowner hereby assumes responsibility for furnishing all services or facilities on the Leased Land, including but not limited to heat, electricity, air conditioning and water. SDCLT shall not be required to furnish any services or facilities or to make any repairs to the Home. Homeowner shall maintain the Home and Leased Land as required by Section 4.2 above and shall see that all necessary repairs and replacements are accomplished when needed.

7.7 A REPAIR RESERVE FUND IS ESTABLISHED TO SUPPORT FUTURE REPAIRS

[This section must either be completed in accordance with the CLT's repair reserve policy, or omitted entirely. See Commentary on this Section 7.6.]

7.8 WHEN LEASE ENDS, OWNERSHIP REVERTS TO SDCLT, WHICH SHALL REIMBURSE HOMEOWNER

Upon the expiration of the term or termination of this Ground Lease, Homeowner shall surrender the Home together with the Leased Land to the SDCLT. Ownership of the Home shall thereupon revert to SDCLT, free and clear of all claims to or against the Leased Land by Homeowner or any third party and, without limiting any of Homeowner's other obligations to indemnify SDCLT, Homeowner shall defend and indemnify SDCLT against all liability and loss arising from such claims or from Homeowner's surrender of the Home to SDCLT pursuant to this section. Upon surrender of the Home by Homeowner, SDCLT shall promptly pay to Homeowner, as consideration for the Home, an amount equal to SDCLT's Purchase Option Price calculated in accordance with Article 10 below, as of the time of reversion of ownership, less the total amount of any unpaid Ground Lease Fee, any Additional Ground Lease Fee or other amounts that may be owed by Homeowner to SDCLT in accordance with this Ground Lease. The indemnity contained in this Section 7.8 shall survive the termination of the Ground Lease.

**ARTICLE 8:
FINANCING**

8.1 HOMEOWNER CANNOT MORTGAGE THE HOME WITHOUT SDCLT'S PERMISSION

The Homeowner may mortgage the Home only with the written permission of SDCLT. Any mortgage or deed of trust permitted in writing by the SDCLT is defined as a Permitted Mortgage, and the holder of such a mortgage or deed of trust is defined as a Permitted Mortgagee. Homeowner shall pay to SDCLT, at SDCLT's option, all fees, costs and expenses, including without limitation, reasonable attorney's fees, incurred by SDCLT in connection with any Permitted Mortgage or review of another mortgage that is not consented to by SDCLT. SDCLT may collect such fees, costs and expenses as an Additional Ground Lease Fee.

8.2 BY SIGNING LEASE, CLT GIVES PERMISSION FOR ORIGINAL MORTGAGE

By signing this Lease, SDCLT gives written permission for any mortgage or deed of trust signed by the Homeowner effective on the day this Lease is signed for the purpose of financing Homeowner's purchase of the Home.

8.3 HOMEOWNER MUST GET SPECIFIC PERMISSION FOR REFINANCING OR OTHER SUBSEQUENT MORTGAGES

If, at any time subsequent to the purchase of the Home and signing of the Lease, the Homeowner seeks a loan that is to be secured by a mortgage on the Home (to refinance an existing Permitted Mortgage or to finance home repairs or for any other purpose), Homeowner must inform SDCLT, in writing, of the proposed terms and conditions of such mortgage loan at least 15 business days prior to the expected closing of the loan. The information to be provided to the SDCLT must include:

- a. the name of the proposed lender;
- b. Homeowner's reason for requesting the loan;
- c. the principal amount of the proposed loan and the total mortgage debt that will result from the combination of the loan and existing mortgage debt, if any;
- d. expected closing costs;
- e. the rate of interest;
- f. the repayment schedule;
- g. a copy of the appraisal commissioned in connection with the loan request.

SDCLT may also require Homeowner to submit additional information. CLT will not permit such a mortgage loan if the loan increases Homeowner's total mortgage debt to an amount greater than % of the then current Purchase Option Price, calculated in accordance with Article 10 below, or if the terms of the transaction otherwise threaten the interests of either the Homeowner or the SDCLT.

8.4 SDCLT IS REQUIRED TO PERMIT A "STANDARD PERMITTED MORTGAGE"

The SDCLT shall be required to permit any mortgage for which the mortgagee has signed a "Standard Permitted Mortgage Agreement" as set forth in "Exhibit: Permitted Mortgages, Part C," and for which the loan secured thereby does not increase Homeowner's total mortgage debt to an amount greater than % of the then current Purchase Option Price, calculated in accordance with Article 10 below.

8.5 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 Homeowner and the SDCLT to modify the terms of the Lease during the term of the Permitted Mortgage.

8.6 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.

8.7 IN THE EVENT OF FORECLOSURE, ANY PROCEEDS IN EXCESS OF THE PURCHASE OPTION PRICE WILL GO TO SDCLT

Homeowner and SDCLT recognize that it would be contrary to the purposes of this agreement if Homeowner could receive more than the Purchase Option Price as the result of the foreclosure of a mortgage. Therefore, Homeowner hereby irrevocably assigns to SDCLT all net proceeds of sale of the Home that would otherwise have been payable to Homeowner and that exceed the amount of net proceeds that Homeowner would have received if the property had been sold for the Purchase Option Price, calculated as described in Section 10.10 below. Homeowner authorizes and instructs the Permitted Mortgagee, or any party conducting any sale, to pay such excess amount directly to SDCLT. If, for any reason, such excess amount is paid to Homeowner, Homeowner hereby agrees to promptly pay such amount to SDCLT.

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

9.1 HOMEOWNER ASSUMES ALL LIABILITY

Homeowner assumes sole responsibility and liability to all persons and authorities related to its possession, occupancy, and use of the Leased Land.

9.2 HOMEOWNER MUST DEFEND SDCLT AGAINST ALL CLAIMS OF LIABILITY

Homeowner shall defend, indemnify, and hold SDCLT and its respective agents, employees, officers, and/or board members harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Land. Homeowner waives all claims against SDCLT and its respective agents, employees, officers, board members and/or council members for such injury or damage. However, Homeowner shall not be obligated to SDCLT under this Section for injury or damage due to the grossly negligent or intentional acts or omissions of SDCLT or SDCLT’s agents, employees, officers and board members. This provision shall survive the termination of the Ground Lease.

9.3 HOMEOWNER MUST REIMBURSE SDCLT

In the event the SDCLT shall be required to pay any sum that is the Homeowner’s responsibility or liability, pursuant to Section 9.1 and 9.2, the Homeowner shall reimburse the SDCLT for such payment and for reasonable expenses caused thereby and such payment may be charged by SDCLT to Homeowner as Additional Ground Lease Fee.

9.4 HOMEOWNER MUST INSURE THE HOME AGAINST LOSS AND MUST MAINTAIN LIABILITY INSURANCE ON HOME AND LEASED LAND

a) Hazard Insurance. Homeowner shall, at Homeowner's sole expense, keep the Leased Land and Home continuously insured against loss or damage by fire and the extended coverage hazards for the Full Replacement Value of such Leased Land and Home (adjusted every five (5) years by appraisal if requested by SDCLT). If the Leased Land is located in a flood plain, Homeowner shall also obtain flood insurance. In no event shall the amount of insurance be less than the amount necessary to prevent SDCLT from becoming a co-insurer under the terms of the policy.

b) Liability Insurance. Homeowner shall, at Homeowner's sole expense, maintain continuously in effect liability insurance covering the Leased Land and Home. The limits of such insurance shall be not less than _____ (\$ _____) (or, if a Permitted Mortgagee requires coverage in a greater dollar amount, such amount as required by that a Permitted Mortgagee) combined single limit for bodily injury and property damage. Such limit shall be adjusted every five (5) years or upon SDCLT's request. Any adjustment shall be equal to the percentage of change (positive or negative), over the period in question, of the Consumer Price Index.

c) Improvements. During the course of any rehabilitation of the Home located on the Leased Land, Homeowner shall hire only licensed contractors who maintain the following forms of insurance:

1. Liability Insurance. Commercial liability insurance against liability for bodily injury to or death of any person or property damage arising out of an occurrence on or about the Leased Land. The limits of such insurance shall be not less than One Million Dollars (\$1,000,000) combined single limit for bodily injury and property damage, naming the SDCLT and its officers, employees, agents, board members and/or council members as additional insureds.
2. Worker's Compensation. Worker's compensation insurance covering all persons employed in connection with any work on the Leased Land to the extent required by law.

d) Additional Insureds. All insurance required pursuant to this Section 9.4 shall specifically insure Homeowner against all liability assumed under this Ground Lease, as well as all liability imposed by law, and shall also insure SDCLT and its respective agents, employees, officers, board members and/or council members as an additional insured so as to create the same liability on the part of insurer as though separate policies had been written for such parties and SDCLT.

e) California Insurance. The insurance carrier providing insurance pursuant to this Section 9.4 shall be licensed to do business in the State of California and shall have a rating of A:VII or better in the most recent edition of Best's Rating Guide.

f) Evidence of Insurance. Homeowner shall provide SDCLT 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 SDCLT. Failure by Homeowner to provide evidence of insurance in accordance with this Section 10.4 will be a default under this Ground Lease. SDCLT shall have the right to hold, or cause its designated agent to hold, the policies and renewals thereof, and Homeowner shall furnish to the SDCLT, or its designated agent, the original insurance policies or certificates of insurance, all renewal notices and all receipts of paid premiums within five (5) days of SDCLT's request for such information. SDCLT shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance. SDCLT may make proof of loss if not made by Homeowner in a prompt manner, as determined by SDCLT in SDCLT's reasonable discretion. In the event Homeowner fails to maintain insurance pursuant to Section 9.4, SDCLT, in addition to SDCLT's right to declare a default under this Ground Lease and exercise the remedies set forth in Article 12, may, but shall not be obligated to, purchase insurance on Homeowner's behalf with this Section 9.4. SDCLT may charge Homeowner Additional Ground Lease Fee to pay for any expenses SDCLT incurs in connection with its purchase of such insurance.

g) Waiver of Subrogation. Homeowner releases SDCLT from any claims for damage to any person or the Land and Home that are caused by or result from the risks insured against under any insurance policies carried by Homeowner and in force at the time of any such damage. Homeowner shall cause each insurance policy obtained by it to provide that the insurance company waives all right of recovery by way of subrogation against the SDCLT in connection with any damage covered by any party.

9.5 WHAT HAPPENS IF HOME IS DAMAGED OR DESTROYED

Except as provided below, in the event of fire or other damage to the Home, Homeowner shall take all steps necessary to assure the repair of such damage and the restoration of the Home to its condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. Homeowner shall also promptly take all steps necessary to assure that the Leased Land is safe and that the damaged Home does not constitute a danger to persons or property.

If Homeowner, 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 Homeowner cannot otherwise afford to cover the balance of the cost of repairs, then Homeowner shall notify SDCLT of this problem, and SDCLT 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 Homeowner and SDCLT.

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

FIRST, to the expenses of their collection;

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

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

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

FIFTH, to the Homeowner, 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 SDCLT.

9.6 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 Home is lost or damaged beyond repair, the Lease shall terminate as of the date when Homeowner 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 9.5 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 Home or significant reduction in the usefulness or desirability of the Leased Land for residential purposes, then any monetary compensation for such taking shall be allocated entirely to SDCLT.

In the event of a taking of a portion of the Leased Land that results in damage to the Home only to such an extent that the Home can reasonably be restored to a residential use consistent with this Lease, then the damage shall be treated as damage is treated in Section 9.5 above, and monetary compensation shall be allocated as insurance proceeds are to be allocated under Section 9.5.

9.7 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 Ground Lease, SDCLT shall reassess the fair rental value of the remaining Leased Land and shall reduce the Ground Lease Fee if necessary to ensure that the monthly fee does not exceed the monthly fair rental value of the Leased Land for use as restricted by the Ground Lease.

9.8 IF LEASE IS TERMINATED BY DAMAGE, DESTRUCTION OR TAKING, SDCLT WILL TRY TO HELP HOMEOWNER BUY ANOTHER SDCLT HOME

If this Lease is terminated as a result of damage, destruction or taking, SDCLT shall take reasonable steps to allow Homeowner to purchase another home on another parcel of leased land owned by SDCLT if such home can reasonably be made available. If Homeowner purchases such a home, Homeowner agrees to apply any proceeds or award received by Homeowner to the purchase of the home. Homeowner understands that there are numerous reasons why it may not be possible to make such a home available, and shall have no claim against SDCLT if such a home is not made available.

**ARTICLE 10:
TRANSFER, SALE, OR DISPOSITION OF IMPROVEMENTS**

10.1 INTENT OF THIS ARTICLE IS TO PRESERVE AFFORDABILITY

It is the express understanding and intent of the parties that the terms and conditions of this Lease, and in particular of this Article 10, are intended in part to preserve the affordability of any Home on the Leased Land, thereby expanding and maintaining access to Homeownership opportunities for income qualified households, who, absent such provisions, would be unable to afford them.

10.2 HOMEOWNER MAY TRANSFER HOME ONLY TO SDCLT OR QUALIFIED PERSONS

Homeowner may sell, transfer, or otherwise dispose of its interest in the Leased Land or Home only to the SDCLT or to an Income Qualified Resident as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All such transfers shall be subject to SDCLT'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.

“Income Qualified Resident” shall mean a person or group of persons within a household whose combined income does not exceed _____ percent (____%) of the median household income for San Diego County, California as calculated and adjusted for household size from time to time by the California Department of Housing and Community Development (HCD) in the “Official State Income Limits” published in Section 6932 of Title 25 of the California Code of Regulations or any successor thereto.

10.3 THE HOME MAY BE TRANSFERRED TO CERTAIN HEIRS OF HOMEOWNER

Upon receipt of notice from the executor or administrator of the decedent's estate given within ninety (90) days of the death of a Homeowner (or the last surviving co-owner of the Home) SDCLT shall, unless for good cause shown, consent to a transfer of Home and an assumption of this Lease to heirs of Homeowner provided that such persons

a) are:

- 1) the spouse of the Homeowner,

- 2) the child or children of the Homeowner or
 - 3) member(s) of the Homeowner's household who have resided upon the Leased Land for at least one year immediately prior to the Homeowner's death; and
- b) demonstrate to SDCLT's reasonable satisfaction that they meet the definition of Income Qualified Resident, as defined above; and
 - c) execute a Letter of Stipulation substantially in the form of Exhibit A attached to this Lease, setting forth the heirs' review, understanding, and acceptance of the terms of the Lease, submitted to SDCLT to be attached to the Lease when it is transferred to the heirs.

Any other person or persons who are heirs, legatees or devisees of Homeowner but do not meet the above qualifications shall not be entitled to possession of the Leased Land but must transfer the Leased Land in accordance with the provisions of this Article 10 within 12 months of inheritance.

10.4 HOMEOWNER'S NOTICE OF INTENT TO SELL

In the event that Homeowner wishes to transfer its interest in the Leased Land and Home, Homeowner shall promptly notify SDCLT in writing of such wish ("the Notice of Intent to Sell"), in the form attached as Exhibit G to this Lease. The Homeowner's Notice of Intent to Sell shall be sent to the SDCLT by certified mail, return receipt requested at the address provided in Section 14.1 of this Lease.

THE HOMEOWNER SHOULD NOT CONTRACT WITH A REAL ESTATE BROKER TO SELL THE IMPROVEMENTS UNTIL THE HOMEOWNER HAS RECEIVED THE SDCLT'S NOTICE OF EXERCISE OF OPTION OR THE PURCHASE OPTION HAS EXPIRED, AS THE SERVICES OF A BROKER WILL NOT BE REQUIRED IF THE SDCLT EXERCISES THE PURCHASE OPTION PURSUANT TO SECTION 10.7, AND IN SUCH EVENT NO BROKERAGE COMMISSION WILL BE PAID TO A THIRD PARTY.

Within thirty (30) days of delivery of the Notice of Intent to Sell, the Homeowner shall obtain and deliver to the SDCLT a current written report of inspection of the Home by a licensed structural pest control operator. Homeowner shall allow the SDCLT or a designee to inspect the Home to determine their physical condition, and, if requested by the SDCLT, following such inspection, the Homeowner shall obtain and deliver to the SDCLT a home inspection report prepared by a licensed home inspector.

10.5 SDCLT TO OBTAIN APPRAISAL OF HOME

No later than ten (10) business days after SDCLT's receipt of a complete Homeowner's Notice of Intent to Sell that includes all information required under Section 10.4, including SDCLT's receipt of the pest control report and home inspection report (if any) required pursuant to Section 10.4 above, SDCLT shall commission a certified MAI or other qualified real estate appraiser to perform an appraisal of the fair market value of the Land and Home as if they were a fee simple property and not subject to the terms and conditions of this Lease. The value of the Land and

Home together as if they were fee simple property and not subject to the terms and conditions of the Ground Lease shall be referred to in this Ground Lease as the "Appraised Value". SDCLT shall pay for the appraisal required by this Section 10.5.

10.6 SDCLT'S RESPONSE TO NOTICE OF INTENT TO SELL.

SDCLT shall respond in writing (the "First Response Notice") to Homeowner's Notice of Intent to Sell within sixty (60) days of SDCLT's receipt of a complete Homeowner's Notice of Intent to Sell that includes all information required under Section 10.4, including SDCLT's receipt of the pest control report and home inspection report (if any) required pursuant to Section 10.4 above. The First Response Notice shall inform Homeowner of the Purchase Option Price, as determined by SDCLT and of the SDCLT's election to proceed under one of the following two (2) alternatives:

- a) SDCLT Exercise of Purchase Option. The First Response Notice may notify the Homeowner that the SDCLT elects to exercise the Purchase Option, or assign the Purchase Option to an Assignee.
- b) Homeowner Sale to Eligible Purchaser. In the event the First Response Notice notifies the Homeowner that the SDCLT will not exercise or assign the Purchase Option then Homeowner may proceed to sell the Home and transfer the Leased Land to an Eligible Purchaser, for a price not to exceed the Purchase Option Price, pursuant to the procedure set forth in Section 10.9 below. In this event, the First Response Notice shall include the following information: (1) the maximum qualifying income for an Eligible Purchaser; and (2) the certifications required of an Eligible Purchaser.
- c) SDCLT Failure to Respond. If SDCLT does not respond in the manner set forth in this Section, Homeowner shall make a good faith effort to inform SDCLT of Homeowner's intent to convey the Home. Such good faith effort shall include but not be limited to sending another Notice of Intent to Sell to SDCLT (the "Second Notice of Intent to Sell") a copy of which shall be also sent to the Jurisdiction at the address provided in Section 14.1. In the event Homeowner has made a good faith effort to inform SDCLT of Homeowner's intent to sell the Home and has sent a Second Notice of Intent to Sell and SDCLT does not send the Response Notice within thirty (30) days of receipt of such Second Notice of Intent to Sell, Homeowner may proceed to sell the Home to an eligible purchaser in accordance with Section 10.9.

10.7 HOMEOWNER ACKNOWLEDGEMENT OF FIRST RESPONSE NOTICE.

No later than five (5) business days following the date of the First Response Notice, the Homeowner shall acknowledge in writing to the SDCLT that he/she has received the First Response Notice and still intends to complete a sale of the Home.

10.8 SDCLT HAS AN OPTION TO PURCHASE THE HOME.

Homeowner agrees that the SDCLT shall have the option to purchase the Home for the Purchase Option Price (the "Purchase Option"). The Purchase Option is designed to further the purpose of preserving the affordability of the Home for succeeding Eligible Purchasers while taking fair

account of the investment by the Homeowner. In addition, the SDCLT may, instead of purchasing the Home itself, assign the right to purchase the Home to a public agency, a nonprofit corporation, or to an Eligible Purchaser (the "Assignee"). If the SDCLT assigns the Purchase Option, the Assignee shall sign the First Response Notice and shall thereby be bound to purchase the Home pursuant to the terms of the Purchase Option as set forth in this Lease.

The Homeowner may be required to pay the SDCLT a transaction fee equal to the SDCLT's reasonable costs associated with the exercise of the Purchase Option if the SDCLT (or its assignee) exercises the Purchase Option and purchases the Home; provided, however that such transaction fee shall not exceed three percent (3%) of the sales price of the Home. The Purchase Option may be exercised by the SDCLT or Assignee in the First Response Notice. If the First Response Notice notifies the Homeowner that the SDCLT or Assignee will exercise the Purchase Option, the SDCLT or Assignee (as applicable) shall purchase the Home within forty five (45) days of the date of the First Response Notice and title to the Home shall be delivered by the Homeowner to the SDCLT or Assignee (as applicable) by deed, free and clear of any mortgage or other liens unless approved in writing by the purchaser. In the event SDCLT or Assignee (as applicable) fails to purchase the Home within the forty-five (45) day period identified above or such later date as may be mutually agreed to in writing by the parties, Homeowner may transfer the Home to an Eligible Purchaser for the Purchase Option Price and in accordance with Section 10.9.

10.9 SALE TO ELIGIBLE PURCHASER

If the First Response Notice tells Homeowner to proceed with a sale of the Home to an Eligible Purchaser, if the SDCLT or Assignee does not exercise or complete its option to purchase in accordance with Section 10.8, or if the SDCLT does not respond to Homeowner as provided in Section 10.6(c), Homeowner may proceed to sell the Home in compliance with the following requirements:

- a) Marketing Period. The Homeowner shall use bona fide good faith efforts to sell the Home to an Eligible Purchaser in compliance with this Article 10, including listing the Home on the Multiple Listing Service, keeping the Home in an orderly condition, making the Home available to show to agents and prospective buyers, and providing buyers with Eligible Purchaser requirements, including income qualifications and an updated version of the Lease. A household that proposes to purchase the Home ("Proposed Purchaser") who the Homeowner believes will qualify as an Eligible Purchaser shall be referred to SDCLT or its designee for an eligibility determination.
- b) Eligible Purchaser. Eligible Purchaser shall mean a Proposed Purchaser who meets the following requirements, as determined by SDCLT:
 1. Income Qualified Resident. The Proposed Purchaser shall be an Income Qualified Resident as defined in Article 10.2 of this lease.
 2. Intent to Occupy. The Proposed Purchaser shall certify that he or she will occupy the Home and Leased Land as his or her principal place of residence throughout his or her ownership.

3. Agreement to Sign Updated Lease, Letter and to Cooperate with SDCLT. The Proposed Purchaser shall agree to sign an updated Ground Lease restricting future resale of the Home and transfer of the Leased Land and updated Letter of Stipulation (as defined in Section 1.1(a)). The proposed purchaser shall also cooperate fully with the SDCLT in providing, within five (5) business days of SDCLT's request, all information requested by the SDCLT to assist the SDCLT in monitoring the proposed purchaser's compliance with the Lease.
- c) Disclosure and Submittals. The Homeowner and the Proposed Purchaser shall provide the following information and documents to the SDCLT:
1. The name, address and telephone number in writing of the Proposed Purchaser.
 2. A signed financial statement of the Proposed Purchaser in a form acceptable to the SDCLT and any other supporting documentation requested by the SDCLT. The financial information shall be used by the SDCLT to determine the income eligibility of the Proposed Purchaser.
 3. The proposed sales contract and all other related documents that shall set forth all the terms of the sale of the Home. Said documents shall include at least the following terms: (a) the sales price; and (b) the price to be paid by the Proposed Purchaser for the Homeowner's personal property, if any, for the services of the Homeowner, if any, and any credits, allowances or other consideration, if any.
 4. A sworn statement, the form of which is attached hereto as Exhibit H, from the Homeowner and the Proposed Purchaser in a form acceptable to the SDCLT, that the sale shall be closed in accordance with the terms of the sales contract and other documents submitted to and approved by the SDCLT. In any event, any costs, liabilities or obligations incurred by the Homeowner and the Proposed Purchaser for the return of any moneys paid or received in violation of this Ground Lease or for any of the Homeowner's and/or the Proposed Purchaser's costs and legal expenses, shall be borne by the Homeowner and/or the Proposed Purchaser and, without limiting any of Homeowner's other obligations to indemnify SDCLT, Homeowner and/or Proposed Purchaser shall hold the SDCLT and its designee harmless and reimburse the SDCLT's and its designee's expenses, legal fees and costs for any action they reasonably take in good faith in enforcing the terms of this Lease.
 5. A new form of Ground Lease and Letter of Stipulation, as updated and provided by the SDCLT, executed by the Proposed Purchaser. The recordation of the new Ground Lease shall be a condition of the SDCLT's approval of the proposed sale.
 6. The name of the title company escrow holder for the sale of the Home, the escrow number, and name, address, and phone number of the escrow officer.
 7. Upon the close of the proposed sale, certified copies of the recorded Lease, a copy of the final sales contract, settlement statement, escrow instructions, and any other documents that the SDCLT may reasonably request.

10.10 FAILURE TO LOCATE AN ELIGIBLE PURCHASER

If, after six (6) months from the date Homeowner receives a First Response Notice informing Homeowner that Homeowner may transfer the Home to an Eligible Purchaser (or six (6) months after Homeowner sent a Second Notice of Intent to Convey to which SDCLT does not respond as provided for in Section 10.6(c)), and provided that the Homeowner has used good faith efforts to market the Home to an Eligible Purchaser during the entire six month period in accordance with Section 10.9(a), and the Home still have not been sold, Homeowner shall notify SDCLT (the "Notice of Failure to Locate Eligible Purchaser"). Within forty-five (45) days of receipt of the Notice of Failure to Locate Eligible Purchaser, the SDCLT shall respond in writing (the "Second Response Notice") to Homeowner's Notice of Failure to Locate Eligible Purchaser.

In the event Homeowner delivers the Notice of Failure to Locate an Eligible Purchaser, Homeowner grants to SDCLT the option to purchase the Home for the Purchase Option Price. If the SDCLT assigns the Second Purchase Option, the Assignee shall sign the Second Response Notice and shall thereby be bound to purchase the Home pursuant to the terms of this Section 10.10. If the Second Response Notice notifies the Homeowner that the SDCLT or Assignee will exercise the Second Purchase Option, the SDCLT or Assignee, as applicable, shall purchase the Home within sixty (60) days of the date of the Second Response Notice and title to the Home shall be delivered by the Homeowner to such purchaser by deed, free and clear of any mortgage or other liens, unless approved in writing by the purchaser.

IN THE EVENT THE SDCLT DOES NOT EXERCISE THE SECOND PURCHASE OPTION, THE HOMEOWNER MAY SELL TO ANY PERSON OR ENTITY UNDER ANY TERMS PROVIDED THAT ANY NET PROCEEDS REALIZED FROM SUCH SALE IN EXCESS OF THE PURCHASE OPTION PRICE AS DEFINED IN SECTION 10 OF THIS LEASE SHALL BE PAID TO THE SDCLT AS EXCESS PROCEEDS.

10.11 PURCHASE OPTION PRICE EQUALS LESSER OF APPRAISED VALUE OF HOMEOWNER'S OWNERSHIP INTEREST OR FORMULA PRICE

The Purchase Option Price shall be the **lesser** of (a) the price calculated in accordance with the formula described below ("the Formula Price") or (b) the Appraised Value as determined by an Appraisal conducted according to the terms of Section 10.5 of this Lease.

CALCULATION OF THE FORMULA PRICE: The Formula Price shall be equal to the Purchase Price of the Home paid by the Homeowner ("Initial Purchase Price"), plus:

- a) **INDEXED APPRECIATION:** an increase in an amount equal to the Initial Purchase Price multiplied by the percentage change in the median household income for San Diego County California as determined from time to time by the California Department of Housing and Community Development (HCD) or any successor thereto. Such change shall be measured by comparing the median household income on the date of the sale of the Home to Homeowner to the median household income on the date the determination is made and adjusted to provide a prorated increase for any partial years of ownership. In the event that the median household income

declines during the term of ownership, no adjustment will be made to the formula price.

- b) CAPITAL IMPROVEMENTS CREDIT: an increase to reflect the depreciated value of any Eligible Capital Improvements (hereinafter defined) made by Homeowner.

The term "Eligible Capital Improvements" shall mean only those improvements approved in writing by the SDCLT or its designee in accordance with SDCLT's Capital Improvements Policy as revised from time to time. To qualify for an Eligible Capital Improvement, Homeowner must submit a request for approval to SDCLT or its designee in advance of performing any work, along with plans and specifications for the proposed work, and contractor bids or other cost estimates and any other items required by SDCLT's Capital Improvements Policy. SDCLT or its designee shall approve any Eligible Capital Improvements prior to the commencement of construction. The Approved Value of any Eligible Capital Improvement shall not exceed eighty-five percent (85%) of the documented costs of such improvement. SDCLT shall have an opportunity to inspect to insure completion and satisfactory workmanship prior to issuing a final letter stating the Approved Value of an Eligible Capital Improvement and the approved depreciation schedule.

The Total Capital Improvements Credit claimed at the time of sale for all Eligible Capital Improvements shall not exceed five percent (5%) of the sum of the Initial Purchase Price plus the Indexed Appreciation calculated according to Article 10.11.a.

Nothing in this section shall prohibit Homeowner from making an improvement, which does not qualify as a Eligible Capital Improvement. However, only Eligible Capital Improvements, authorized in advance and approved after completion by SDCLT or its designee, may be included in the calculation of the Formula Price, as set forth herein.

- c) EXCESSIVE DAMAGE CHARGE: a decrease in the amount equal to the value of any excessive damage or neglect. Excessive damage or neglect is defined as damages beyond normal wear and tear. Such excessive damage may be described as, but not necessarily be limited to holes in walls, damaged or neglected floor coverings and Capital Systems, severely degenerated interior or exterior painted surfaces, damage resulting from neglected Capital Systems, or missing essential household fixtures that were originally a part of the edifice. Determination of excessive damage value will be at the sole discretion of the SDCLT and/or its agents.

The Formula Price, therefore, shall be calculated as follows:

Initial Purchase Price	\$ _____
Plus Indexed Appreciation	+ \$ _____
Plus Capital Improvements Credit, if any	+ \$ _____
Less Excessive Damage Charge, if any	- \$ _____

Equals Formula Price

= \$ _____

10.12 QUALIFIED PURCHASER'S CHOICE OF NEW LEASE OR ASSIGNMENT OF EXISTING LEASE

An Income-qualified Resident who purchases the Home in accordance with the provisions of this Article 10 shall have the option of receiving either an assignment of this Lease from the seller, with the approval of SDCLT, or a new Lease from SDCLT, which new Lease shall be substantially the same as this Lease in the rights, benefits and obligations assigned to Homeowner and SDCLT.

10.13 PURCHASER MAY BE CHARGED A TRANSFER FEE

In the event that Homeowner sells the home to a party other than the SDCLT (whether directly to such party or as a result of SDCLT's assignment of its Purchase Option to such party), the price to be paid by such purchaser shall include in addition to the Purchase Option Price, at the discretion of the SDCLT, a transfer fee to compensate the SDCLT for carrying out its responsibilities with regard to the transaction. The amount of the transfer fee shall be no more than ___% of the Purchase Option Price.

10.14 HOMEOWNER REQUIRED TO MAKE NECESSARY REPAIRS AT TRANSFER

The Homeowner is required to make necessary repairs when she voluntarily transfers the Home as follows:

- a) The person purchasing the Home ("Buyer") shall, prior to purchasing the Home, hire at its sole expense a building inspector with a current Home Inspector license from the _____ [licensing agency] to assess the condition of the Home and prepare a written report of the condition ("Inspection Report"). The Homeowner shall cooperate fully with the inspection.
- b) The Buyer shall provide a copy of the Inspection Report to Buyer's lender (if any), the Homeowner, and the SDCLT within 10 days after receiving the Inspection Report.
- c) Homeowner shall repair specific reported defects or conditions necessary to bring the Home into full compliance with Sections 4.2 and 7.6 above prior to transferring the Home.
- d) Homeowner shall bear the full cost of the necessary repairs and replacements. However, upon Homeowner's written request, the SDCLT may allow the Homeowner to pay all or a portion of the repair costs after transfer, from Homeowner's proceeds of sale, if Homeowner cannot afford to pay such costs prior to the transfer. In such event, either (i) 150% of the unpaid estimated cost of repairs

or (ii) 100% of the unpaid cost of completed repairs shall be withheld from Homeowner's proceeds of sale in a SDCLT-approved escrow account. *[Add the following sentence only if provision is made for a repair reserve:* Also, upon Homeowner's written request, SDCLT may, at its discretion, agree to release funds from the Repair Reserve Fund to cover some or all of the cost of such repairs, provided that such use of the Reserve is in full compliance with Section 7.7 above.]

- e) Homeowner shall allow SDCLT, Buyer, and Buyer's building inspector and lender's representative to inspect the repairs prior to closing to determine that the repairs have been satisfactorily completed.
- f) Upon sale or other transfer, Homeowner shall either (i) transfer the Home with all originally purchased appliances or replacements in the Home in good working order or (ii) reduce the Purchase Option Price by the market value of any such appliances that are not left with the Home in good working order.

**ARTICLE 11:
RESERVED**

**ARTICLE 12:
DEFAULT**

12.1 WHAT HAPPENS IF HOMEOWNER FAILS TO MAKE PAYMENTS TO SDCLT THAT ARE REQUIRED BY THE LEASE

It shall be an event of default if Homeowner fails to pay the Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Homeowner or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by SDCLT to Homeowner and Permitted Mortgagee. However, if Homeowner 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.

12.2 WHAT HAPPENS IF HOMEOWNER VIOLATES OTHER (NON-MONETARY) TERMS OF THE LEASE

It shall be an event of default if:

- a) SDCLT determines that the Homeowner has made a material misrepresentation to obtain the benefits of this Ground Lease and purchase of the Home;
- b) Homeowner fails to occupy the Home in accordance with Section 4.6;
- c) Homeowner fails to provide annual certifications in accordance with Section 1.2 or 9.4;

- d) Homeowner makes a Conveyance of the Home or Leased Land in violation of this Lease;
- e) Homeowner fails to maintain the Home or Leased Land in accordance with Article 4;
- f) Homeowner fails to maintain insurance in accordance with Article 9;
- g) A notice of default is issued under a Permitted Mortgage;
- h) A lien is recorded against the Home or Leased Land, other than a Permitted Mortgage;
- i) Homeowner otherwise fails to abide by any other material term or condition in this Lease.

In the event Homeowner defaults under this Section 12.2 Homeowner or a Permitted Mortgagee shall have thirty (30) days after notice of such failure is given by SDCLT to Homeowner and Permitted Mortgagee to cure such failure; provided however, that no cure period shall be provided in the event of a default described in Section 12.3. In the case where the Homeowner or Permitted Mortgagee has commenced to cure such default within such thirty (30) day period and is continuing such cure with all due diligence but cannot by the exercise of due diligence cure such default within such period, such period may be extended by SDCLT, in its sole and absolute discretion, for such additional period as may be reasonably required under the circumstances to complete such cure.

12.3 WHAT HAPPENS IF HOMEOWNER 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 Homeowner is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Homeowner 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 Homeowner's property by a court of competent jurisdiction, or if a petition is filed for the reorganization of Homeowner under any provisions of the Bankruptcy Act now or hereafter enacted, or if Homeowner 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 A DEFAULT (UNCURED VIOLATION) GIVES SDCLT 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, SDCLT may terminate this lease and initiate summary proceedings under applicable law against Homeowner, and SDCLT shall have all the rights and remedies consistent with such laws and resulting court orders to enter the Leased Land and Home and repossess the entire Leased Land and Home, and expel Homeowner and those claiming rights through Homeowner. In addition, SDCLT shall have such additional

rights and remedies to recover from Homeowner arrears of rent and damages from any preceding breach of any covenant of this Lease. If this Lease is terminated by SDCLT pursuant to an Event of Default, then, as provided in Section 7.7 above, upon thus assuming title to the Home, SDCLT shall pay to Homeowner and any Permitted Mortgagee an amount equal to the Purchase Option Price calculated in accordance with Section 10.9 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 SDCLT under the terms of this Lease and all reasonable costs (including reasonable attorneys' fees) incurred by SDCLT in pursuit of its remedies under this Lease.

If SDCLT elects to terminate the Lease, then the Permitted Mortgagee shall have the right (subject to Article 8 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 Homeowner's interest in the Home 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, Homeowner hereby grants to the SDCLT (or its assignee) the option to purchase the Home for the Purchase Option Price as such price is defined in Article 10 above. Within thirty (30) days after the expiration of any applicable cure period as established in Sections 12.1 or 12.2 above or within 30 days after any of the events constituting an Event of Default under Section 12.3 above, SDCLT shall notify the Homeowner and the Permitted Mortgagee(s) of its decision to exercise its option to purchase under this Section 12.4(b). Not later than ninety (90) days after the SDCLT gives notice to the Homeowner of the SDCLT's intent to exercise its option under this Section 12.4(a), the SDCLT or its assignee shall purchase the Home for the Purchase Option Price.

12.5 WHAT HAPPENS IF SDCLT DEFAULTS

SDCLT shall in no event be in default in the performance of any of its obligations under the Lease unless and until SDCLT 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 Homeowner to SDCLT properly specifying SDCLT's failure to perform any such obligation.

ARTICLE 13: ARBITRATION

13.1 MEDIATION AND ARBITRATION ARE PERMITTED

Nothing in this Lease shall be construed as preventing the parties from utilizing any process of mediation or arbitration in which the parties agree to engage for the purpose of resolving a dispute.

13.2 HOMEOWNER AND SDCLT SHALL SHARE COST OF ARBITRATION

Homeowner and SDCLT shall each pay one half (50%) of any costs incurred in carrying out mediation or arbitration in which the parties have agreed to engage.

THE PARTIES AGREE AND ACKNOWLEDGE THAT: (1) THE ARBITRATOR'S AWARD SHALL BE FINAL AND BINDING ON THE PARTIES; (2) TO THE EXTENT THAT SUCH WAIVER IS AUTHORIZED AND ENFORCEABLE BY CALIFORNIA LAW, THE PARTIES ARE WAIVING THEIR RIGHT TO SEEK REMEDIES IN COURT, INCLUDING THE RIGHT TO A JURY TRIAL (3) PRE-ARBITRATION DISCOVERY IS GENERALLY MORE LIMITED THAN AND DIFFERENT FROM COURT PROCEEDINGS; (4) THE ARBITRATOR'S AWARD IS NOT REQUIRED TO INCLUDE FACTUAL FINDINGS OR LEGAL REASONING AND ANY PARTY'S RIGHT TO APPEAL OR TO SEEK MODIFICATION OF RULINGS BY ARBITRATORS IS STRICTLY LIMITED; AND (5) THE ABOVE PROVISIONS REQUIRE ANY ARBITRATION TO TAKE PLACE IN San Diego COUNTY, CALIFORNIA

**ARTICLE 14:
GENERAL PROVISIONS**

14.1 NOTICES

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

if to SDCLT:
San Diego Community Land Trust

if to Homeowner:
(name of Homeowner)

If to Jurisdiction :

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

14.2 HOMEOWNER'S MEMBERSHIP IN SDCLT

The Homeowner under this Lease shall automatically be a regular voting member of the SDCLT.

14.3 NO BROKERAGE

Unless otherwise set forth in the Letters of Stipulation and Acknowledgment, Homeowner warrants and represents that it has not dealt with any broker in connection with the consummation of this Lease. In the event any claim is made against SDCLT relative to dealings with brokers other than that set forth in the Letter of Stipulation, Homeowner shall defend the claim against SDCLT with counsel of SDCLT's selection and save harmless and indemnify SDCLT on account of loss, cost or damage which may arise by reason of any such claim. This indemnity contained in this Section shall survive the termination of the Lease.

14.4 SEVERABILITY AND DURATION OF LEASE

If any part of this Lease shall be 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 Homeowner or SDCLT against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law. It is the intention of the parties that their respective options to purchase and all other rights and options hereunder shall continue in full force and effect for the duration of the Term 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 thereof, the time period for the exercising of such option or right shall be construed to expire twenty (20) years after the death of the following persons:

NOTE: List the children living as of the date of this Lease

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, SDCLT shall nevertheless have a right of first refusal to purchase the Home at the highest documented bona fide purchase price offer made to Homeowner. Such right shall be as specified in the attached 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 SDCLT of, or the failure of SDCLT to take action with respect to, any breach of any term or condition contained herein 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. SDCLT may grant waivers in the terms of this Lease, but such must be in writing and signed by SDCLT before being effective.

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

14.7 SDCLT'S RIGHT TO PROSECUTE OR DEFEND

Homeowner shall, within five (5) business days of receiving such information, inform SDCLT in writing of any claim, demand, or charge made against the Leased Land or Home. SDCLT shall have the right, but shall be under no obligation, to prosecute or defend, in its own or the Homeowner's name, any actions or proceedings appropriate to the protection of SDCLT's title to, and Homeowner's interest in, the Leased Land. Whenever requested by SDCLT, Homeowner shall give SDCLT all reasonable aid in any such action or proceeding. In the event SDCLT prosecutes or defends in accordance with this Section, Homeowner shall reimburse SDCLT for SDCLT's reasonable expenses, which expenses shall be deemed Additional Ground Lease Fee.

14.8 INTERPRETATION

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

14.8 PARTIES BOUND

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

14.9 GOVERNING LAW

This Lease shall be interpreted in accordance with and governed by the laws 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 SDCLT or Homeowner.

14.10 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 the SDCLT. 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.

14.11 MEMO OF OPTION AND RIGHT OF FIRST REFUSAL

A Memorandum of Option and Right of First Refusal, the form of which is attached hereto as Exhibit I, evidencing the option and right of first refusal granted to SDCLT in Article 10, Section 12.4 and Section 14.4, shall be recorded concurrently with this Lease.

14.12 EXHIBITS

The Exhibits attached to this Ground Lease are incorporated into and made a part of this Lease.

14.13 COUNTERPARTS

This Ground Lease may be executed in counterparts.

14.14 ATTORNEYS FEES

The prevailing party in any action or proceeding brought by either party against the other under this Ground Lease shall be entitled to recover from the other party such court costs, costs and fees of the attorneys, paralegals, experts and consultants in such action or proceeding (whether in arbitration or at the administrative, trial or appellate levels) in such amount as the arbitrator or court may adjudge reasonable.

14.15 ESTOPPEL CERTIFICATES

Any party to this Lease may at any time deliver written notice to the other party requesting such party to certify in writing that, to the best knowledge of the certifying party: (i) this Lease is in full force and effect and a binding obligation of the party; (ii) this Lease has not been amended or modified either orally or in writing, and if so amended, identifying the amendments; and (iii) the requesting party is not in default in the performance of its obligations set forth in this Lease or, if in default, to describe therein the nature and amount of any such defaults. A party receiving a request hereunder shall execute and return such certificate within sixty (60) days following the receipt thereof. Any third party, including a Permitted Mortgagee, shall be entitled to rely on the certificate executed pursuant to this Section.

IN WITNESS WHEREOF, the parties hereto have executed this Land Lease as of the date first above written.

HOMEOWNER:

Name: _____

Name: _____

SDCLT:

SAN DIEGO COMMUNITY LAND TRUST, INC., a California nonprofit public
benefit corporation

Name: _____, Secretary

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On _____ 200_, before me, _____, Notary Public,
personally appeared _____

_____ personally
known to me (or 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.

Witness my hand and official seal.

Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On _____ 200_, before me, _____, Notary Public,
personally appeared _____

_____ personally
known to me (or 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.

Witness my hand and official seal.

Notary Public

[SEAL]

EXHIBIT A

LETTER OF STIPULATION

To: San Diego Community Land Trust (SDCLT)

Date: _____

This letter is given to SDCLT to become an exhibit to a Ground Lease between SDCLT and me. I will be leasing a parcel of land from SDCLT and will be buying the home that sits on that parcel of land. I will own only the home. I will not own the land on which my home sits. I will therefore become what is described here as a "land trust Homeowner."

SDCLT has advised me to seek legal counsel prior to purchasing my home and leasing the land. I have reviewed the Ground Lease and other legal documents that are part of this transaction. I understand the way these terms and conditions will affect my rights as a land trust Homeowner, now and in the future.

In particular I understand and agree with the following points.

- SDCLT's mission is to develop and preserve long-term affordable Homeownership for people of limited financial resources.
- SDCLT is the owner of the land on which the home I am buying is located.
- In the Ground Lease, my home is referred to as the "Home".
- The Price at which I may resell my home is limited by a resale formula in the Ground Lease.
- Both SDCLT and I agree that the terms and conditions of the Ground Lease require me to sell the home for a price affordable to another Income Qualified Resident.
- I intend to occupy my home according to the terms of the Ground Lease.
- Should I decide to sell my home, SDCLT will have the right to purchase my home for an affordable price before it is offered to anyone else. SDCLT may also approve a sale at an affordable price to an "Income Qualified Resident".
- The affordable price at which SDCLT or another purchaser would purchase my home is referred to as the Purchase Option Price in the Ground Lease.
- I understand that I can leave my home to my child or children or certain other members of my household and that, after my death, they can sell it on the terms permitted by the Ground Lease or if they are income eligible and agree to abide by the terms of the Ground Lease they can own the home for as long as they want to live in it.

- If my home is not left to my child or children or certain other family members, the person inheriting the home may be required to sell the home to another Eligible Purchaser.
- As a land trust Homeowner, it is my desire to see the terms of the Ground Lease and related documents honored. I consider these terms fair to me and others. I acknowledge the restrictions and requirements included in the Ground Lease and by signing this letter, I agree to them.
- I eagerly and freely accept the ownership of my home on the terms and conditions set forth in the Ground Lease.

Sincerely,

By: _____

Name: _____
(print)

By: _____

Name: _____
(print)

Date: _____

EXHIBIT B
DESCRIPTION OF LEASED LAND

EXHIBIT C
FORM OF DEED

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 that such Offering Party is willing to accept, the holder of the right of first refusal (the “Holder”) shall have the following rights:

- a. Offering Party shall give written notice of such offer (“the Notice of Offer”) to Holder setting forth (a) the name and address of the prospective purchaser of the property, (b) the purchase price offered by the prospective purchaser and (c) all other terms and conditions of the sale. Holder shall have a period of forty-five (45) days after the receipt of the Notice of Offer (“the Election Period”) within which to exercise the right of first refusal by giving notice of intent to purchase the property (“the Notice of Intent to Purchase”) for the same price and on the same terms and conditions set forth in the Notice of Offer. Such Notice of Intent to Purchase shall be given in writing to the Offering Party within the Election Period.
- b. If Holder exercises the right to purchase the property, such purchase shall be completed within sixty (60) days after the Notice of Intent to Purchase is given by Holder (or if the Notice of Offer shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice of Offer, including payment of the purchase price provided therein.

EXHIBIT E

PERMITTED MORTGAGES

The rights and provisions set forth in this Exhibit shall be understood to be provisions of Section 8.2 of the 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 Homeowner and the SDCLT to modify the terms of the Lease during the term of the Permitted Mortgage.

1. If Permitted Mortgagee sends a notice of default to the Homeowner because the Homeowner 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 SDCLT. Upon receiving a copy of the notice of default and within that period of time in which the Homeowner has a right to cure such default (the “cure period”), the SDCLT shall have the right to cure the default on the Homeowner’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 SDCLT of its intention to do so, and SDCLT shall then have the right, upon notifying the Permitted Mortgagee within thirty (30) days of receipt of such notice, to acquire the Permitted Mortgage by paying off the debt secured by the Permitted Mortgage.
3. If the Permitted Mortgagee acquires title to the Home through foreclosure or acceptance of a deed in lieu of foreclosure, the Permitted Mortgagee shall give SDCLT written notice of such acquisition and SDCLT shall then have an option to purchase the Home from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage. To exercise this option to purchase, SDCLT must give written notice to the Permitted Mortgagee of SDCLT’s intent to purchase the Home within thirty (30) days following SDCLT’s receipt of the Permitted Mortgagee’s notice. SDCLT must then complete the purchase of the Home within sixty (60) days of having given written notice of its intent to purchase. If SDCLT does not complete the purchase within this 60-day period, the Permitted Mortgagee shall be free to sell the Home to another person.
4. Nothing in the Permitted Mortgage or related documents shall be construed as giving Permitted Mortgagee a claim on SDCLT’s interest in the Leased Land, or as assigning

any form of liability to the SDCLT with regard to the Leased Land, the Home, or the Permitted Mortgage.

5. Nothing in the Permitted Mortgage or related documents shall be construed as rendering SDCLT or any subsequent Mortgagee of SDCLT'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 SDCLT or SDCLT's interest in the Leased Land, but will look solely to Homeowner, Homeowner's interest in the Leased Land, and the Home for the payment of the debt secured thereby or any part thereof. (It is the intention of the parties hereto that SDCLT's consent to such the Permitted Mortgage shall be without any liability on the part of SDCLT 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 9 hereof.
- 8.** SDCLT shall not be obligated to execute an assignment of the Lease Fee or other rent payable by Homeowner under the terms of this Lease.

B. RIGHTS OF PERMITTED MORTGAGEE

The rights of a Permitted Mortgagee as referenced under Section 8.6 of the Lease to which this Exhibit is attached shall be as set forth below.

- 1.** Any Permitted Mortgagee shall, without further consent by SDCLT, have the right to (a) cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance being effective as if it had been performed by Homeowner; (b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Homeowner 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 Homeowner 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 Home and Leased Land. In the event Permitted Mortgagee does take possession of the Home 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 SDCLT and Homeowner are acquired at any time by the same person or persons, no merger of these estates shall occur without the prior written declaration of merger by Permitted Mortgagee, so long as Permitted Mortgagee owns any interest in the Security or in a Permitted Mortgage.
4. If the Lease is terminated for any reason, or in the event of the rejection or disaffirmance of the Lease pursuant to bankruptcy law or other law affecting creditors' rights, SDCLT 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 SDCLT'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 SDCLT 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 Homeowner 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 SDCLT, Homeowner and the Permitted Mortgagee.
5. The SDCLT 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 SDCLT sends a notice of default under the Lease to Homeowner, SDCLT shall also send a notice of Homeowner'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 SDCLT by a written notice to SDCLT sent in the manner set forth in said Section 14.2 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 10, Sections 10.1 through 10.11 shall be deleted and thereupon shall be of no further force or effect as to only so much of the Security so foreclosed upon or transferred.

8. 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.

C. STANDARD PERMITTED MORTGAGE AGREEMENT

A Standard Permitted Mortgage Agreement, as identified in Section 8.4 of this Lease, shall be written as follows, and shall be signed by Mortgagee and Homeowner.

This Agreement is made by and among:

_____ (Mortgagee) and
_____ (“Homeowner”),

Whereas:

- a) _____ SDCLT (the “SDCLT”) and Homeowner have entered, or are entering, into a ground lease (“the Lease”), conveying to Homeowner a leasehold interest in the Land located at _____ (“the Leased Land”); and Homeowner has purchased, or is purchasing, the Home located on the Leased Land (“the Home”).
- b) The Mortgagee has been asked to provide certain financing to the Homeowner, and is being granted concurrently herewith a mortgage and security interest (the “Mortgage”) in the Leased Land and Home, all as more particularly set forth in the Mortgage, attached hereto as Schedule A.
- c) The Ground Lease states that the Homeowner may mortgage the Leased Land only with the written consent of SDCLT. The Ground Lease further provides that SDCLT is required to give such consent only if the Mortgagee signs this Standard Permitted Mortgage Agreement and thereby agrees to certain conditions that are stipulated herein (“the Stipulated Conditions”).

Now, therefore, the Homeowner/Mortgagor and the Mortgagee hereby agree that the terms and conditions of the Mortgage shall include the Stipulated Conditions stated below.

ARTICLE 14: Stipulated Conditions:

1) If Mortgagee sends a notice of default to the Homeowner because the Homeowner has failed to comply with the terms of the Mortgage, the Mortgagee shall, at the same time, send a copy of that notice to the SDCLT. Upon receiving a copy of the notice of default and within that period of time in which the Homeowner has a right to cure such default (the “cure period”), the SDCLT shall have the right to cure the default on the Homeowner’s behalf, provided that all current payments due the Permitted Mortgagee since the notice of default was given are made to the Mortgagee.

2) If, after such cure period, the Mortgagee intends to accelerate the note secured by the Mortgage or initiate foreclosure proceedings under the Mortgage, in accordance with the provisions of the Lease, the Mortgagee shall first notify SDCLT of its intention to do so and

SDCLT shall have the right, but not the obligation, upon notifying the Mortgagee within thirty (30) days of receipt of said notice, to purchase the Mortgagee loans and to take assignment of the Mortgage.

3) If the Mortgagee acquires title to the Home and Homeowner's interest in the Leased Land through foreclosure or acceptance of a deed in lieu of foreclosure, the Mortgagee shall give the SDCLT written notice of such acquisition and the SDCLT shall have an option to purchase the Home and Homeowner's interest in the Leased Land from the Mortgagee for the full amount owing to the Mortgagee; provided, however, that the SDCLT notifies the Mortgagee in writing of the SDCLT's intent to make such purchase within thirty (30) days following the SDCLT's receipt of the Mortgagee's notice of such acquisition of the Home and Homeowner's interest in the Leased Land; further provided that SDCLT shall complete such purchase within sixty (60) days of having given written notice of its intent to purchase; and provided that, if the SDCLT does not complete the purchase within such period, the Mortgagee shall be free to sell the Home and Homeowner's interest in the Leased Land to another person;

4) Nothing in the Mortgage or related documents shall be construed as giving the Mortgagee a claim on SDCLT's interest in the Leased Land, or as assigning any form of liability to the SDCLT with regard to the Leased Land, the Home, or the Mortgage.

5) Nothing in the Mortgage shall be construed as rendering SDCLT or any subsequent holder of the SDCLT's interest in and to the 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.

6) The Mortgagee shall not look to SDCLT or SDCLT's interest in the Leased Land, but will look solely to Homeowner and Homeowner's interest in the Leased Land and the Home for the payment of the debt secured by the Mortgage. (It is the intention of the parties hereto that SDCLT's consent to the Mortgage shall be without any liability on the part of SDCLT for any deficiency judgment.)

7) In the event that any part of the Leased Land is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the Mortgagee in accordance with the provisions of Article 9 of the Lease.

8) Nothing in the Mortgage shall obligate SDCLT to execute an assignment of the Lease Fee or other rent payable by Homeowner under the terms of this Lease.

By:

_____ *for Mortgagee* *Date:* _____

_____ *for Homeowner/Mortgagor* *Date:* _____

EXHIBIT F
PERMITTED MORTGAGE AGREEMENT

EXHIBIT G

NOTICE OF INTENT TO SELL

To: San Diego Community Land Trust ("SDCLT")
From: _____ **[name of owner(s)]** ("Homeowner(s)")
Address of Home: _____ ("Home")
Date: _____

Please be notified pursuant to Section 10 of the Ground Lease between Homeowner and SDCLT dated _____, that the Homeowner intends to transfer the Home listed above.

A. The following information is provided to SDCLT, pursuant to Section 10 of the Ground Lease:

1. Address of Leased Land: _____
2. Date Homeowner Purchased Home: _____
3. Purchase Price paid by Homeowner when Home were purchased: _____
4. Date Homeowner intends to vacate Home: _____
5. Date Home will be placed on market: _____
6. Name and phone number of person for Homeowner to contact to schedule inspection:
_____ and _____
(name) (phone number)

B. I have not listed the Home for sale with a multiple listing service, or contacted a real estate broker or financial institution. I agree to prepare the Home for sale by:

1. obtaining a pest control report within thirty (30) days of the date of this notice,
2. allowing SDCLT or a designee to inspect the Home within thirty (30) days of this notice,
3. if requested by SDCLT following SDCLT's inspection, I will obtain a home inspection report from a licensed home inspector,
4. maintaining utility connections until the Home is transferred,
5. permitting a walk through by SDCLT or a designee prior to close of escrow or the transfer.

This Notice of Intent to Convey is certified by Homeowner to be true and correct and is signed on _____ **[insert date]** under penalty of perjury.

By: _____
Homeowner

By: _____
Homeowner

EXHIBIT H

CERTIFICATE OF SELLER AND PROPOSED OWNER

This Certificate (the "Certificate") is executed this ____ day of _____, 200_____, by _____ (the "Seller"), and _____ (the "Proposed Owner"), to be relied upon by San Diego Community Land Trust (the "SDCLT") in approving the sale of the Home (as defined below) to the Proposed Owner, subject to the terms of that certain Ground Lease dated _____, 20_____, and recorded against the Land (as defined below) on _____, 200_____, as Instrument Number _____ in the Official Records of the County of _____ County (the "Ground Lease"). The Proposed Owner intends to purchase from the Seller the home (the "Home") located on that certain real property located at _____, _____, CA _____ (the "Land"). The Proposed Owner intends to purchase the Home only and to lease the Land from the SDCLT.

Pursuant to Section 8(c)(4) of the Ground Lease, the Seller and the Proposed Owner hereby certify to the SDCLT that:

1. The purchase price of the Home does not exceed the Purchase Option Price (as such term is defined in the Ground Lease).
2. The purchase and sale of the Home shall be in accordance the terms and conditions of the sale contract and other documents submitted and approved by the SDCLT.
3. The Proposed Owner has not, nor has any other person paid and will not pay to the Seller, and the Seller has not received, and will not receive from the Proposed Owner nor any other person, money, or other consideration, including personal property, in addition to what is set forth in the sales contract and documents submitted and approved by the SDCLT.
4. The Proposed Owner and the Seller acknowledge that if the Home is purchased in violation of the Ground Lease or if false or misleading statements have been or are made in any documents submitted to the SDCLT or this Certificate, the SDCLT shall have the right to foreclose on the Home or file an action at law or in equity, as appropriate, notwithstanding the fact that the sale may have closed and become final as between the Proposed Owner and the Seller.
5. The Proposed Owner and Seller further acknowledge that any costs, liabilities, or obligations incurred by the Proposed Owner and Seller for the return of any monies paid or received in violation of the Ground Lease or for any of the Proposed Owner's and Seller's costs and legal expenses, shall be borne by the Seller and/or Proposed Owner and they shall hold the SDCLT and/or its designee harmless and reimburse the SDCLT's and/or its designee's expenses, legal fees and costs for any action the SDCLT and/or its designee reasonably take in good faith in enforcing the terms of this Agreement.

EXECUTED as of the date first written above.

Seller

Proposed Owner

EXHIBIT I
TITLE REPORT

EXHIBIT J
(MEMORANDUM OF LEASE FORM)

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

San Diego Community Land Trust

Attn: Executive Director

THIS SPACE FOR RECORDER'S USE ONLY

MEMORANDUM OF LEASE

THIS MEMORANDUM OF GROUND LEASE is dated as of _____, 2002,
and is by and between San Diego Community Land Trust, a California nonprofit public benefit
corporation (the "SDCLT") and _____ (the "Homeowner").

SDCLT and Homeowner have entered into that certain Ground Lease ("Lease") for
certain real property located in San Diego County, California, and by recordation of this
Memorandum of Ground Lease give notice of the unrecorded Ground Lease and place of public
record the following information:

Date of Lease: _____.

Description of Leased Land: See attached Exhibit A.

Date of Term Commencement: _____.

Term: The Initial Term of this Ground Lease ("Term") shall be the period from
_____, 2_____, through _____, 2____.

All Exhibits attached hereto and referenced herein shall be deemed incorporated herein
by this reference.

This Memorandum of Ground Lease in no way modifies or amends the provisions of the
Lease.

IN WITNESS WHEREOF, the parties have executed this Memorandum of lease as of the date first set forth above.

SDCLT

San Diego Community Land Trust, a California nonprofit public benefit corporation

By: _____

Its: _____

HOMEOWNER

By: _____

[Notarize signatures.]

EXHIBIT K

(MEMO OF OPTION AND RIGHT OF FIRST REFUSAL FORM)

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

San Diego Community Land Trust

Attn: Executive Director

(Space Above This Line For Recorder's Use)

MEMORANDUM OF OPTION AND RIGHT OF FIRST REFUSAL

This Memorandum of Option and Right of First Refusal ("Memorandum") is entered into as of _____, 200____ by and between San Diego Community Land Trust, a California nonprofit public benefit corporation (the "SDCLT") and _____ (the "Homeowner") with respect to certain rights granted to the Homeowner under those certain options and rights of first refusal to purchase the Home (as defined below) contained in Article 10, Section 12.4, and Section 14.4 of that certain Ground Lease (as defined below).

Pursuant to the ground lease by and between SDCLT and Homeowner dated _____ (the "Ground Lease"), Homeowner is leasing from SDCLT that certain real property more particularly described in the attached Exhibit B (the "Leased Land"). Homeowner is the owner of those certain improvements constructed on the Leased Land (the "Home").

Section 10.7 of the Ground Lease grants to SDCLT or the Assignee the option to purchase the Home on the terms and conditions stated in Section 10.7 of the Ground Lease (the "First Option").

Section 10.9 of the Ground Lease grants to SDCLT or the Assignee a second option to purchase the Home on the terms and conditions stated in Section 10.9 of the Ground Lease (the "Second Option").

Section 12.4 of the Ground Lease grants to SDCLT an option to purchase the Home in the event of Homeowner’s default on the terms and conditions stated in Section 12.4 of the Ground Lease (the “Default Option”).

Section 14.4 of the Ground Lease grants to SDCLT a right of first refusal to purchase the Home on the terms and conditions stated in Section 14.4 of the Ground Lease (the "Right of First Refusal").

This Memorandum shall incorporate all of the terms and provisions of the First Option, the Second Option, Default Option, and the Right of First Refusal as though fully set forth in this Memorandum of Option and Right of First Refusal.

This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend or supplement the rights granted under the First Option, the Second Option, the Default Option, and the Right of First Refusal, of which this is a memorandum.

This Memorandum may be executed in any number of counterparts, all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS MEMORANDUM AS OF THE DATE FIRST WRITTEN ABOVE:

SDCLT:

By: _____

Name: _____

Its: _____

HOMEOWNER:

By: _____

Name: _____

By: _____

Name: _____

[Notarize Signatures.]

EXHIBIT L

REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT, dated as of _____, 200_ (the “Reimbursement Agreement”), is hereby entered into by and between the San Diego Community Land Trust, a California nonprofit public benefit corporation (“SDCLT”), and _____ (the “Homeowner”).

RECITALS

A. SDCLT and Homeowner have executed that certain Ground Lease and Purchase Option (the “Ground Lease”) of even date of this Reimbursement Agreement, which leases the Leased Land for a Term of ninety-nine (99) years subject to specified restrictions that Homeowner’s interest in the Home and Leased Land may be transferred only to Income Qualified Residents so as to expand and maintain access to Homeownership opportunities for income qualified households.

B. Homeowner may mortgage, pledge or encumber the Leased Land or any portion thereof to a Permitted Mortgagee pursuant to the terms and conditions of the Ground Lease. In the event that Homeowner defaults on any Permitted Mortgage, SDCLT has, among other rights and remedies specified in the Ground Lease, the right but not the obligation to cure such default on behalf of Homeowner prior to the commencement of any foreclosure proceeding or sale in lieu thereof.

C. SDCLT’s right to make payments to cure a default by Homeowner on a Permitted Mortgage will be of benefit to SDCLT by allowing SDCLT to prevent the foreclosure of the Leased Land and Home. SDCLT’s right to make payments to cure a default by Homeowner on a Permitted Mortgage will also be of benefit to Homeowner by allowing Homeowner to retain Homeowner’s interest in the Leased Land and Home, and to avoid foreclosure.

D. To secure repayment from Homeowner to SDCLT for any payment made by SDCLT on behalf of Homeowner to cure a default under a Permitted Mortgage, Homeowner agrees to enter into this Reimbursement Agreement. Homeowner further agrees to secure Homeowner’s repayment obligations set forth in this Reimbursement Agreement by a deed of trust to be recorded against Homeowner’s interest in the Leased Land as set forth in the Ground Lease.

E. Unless otherwise defined in this Reimbursement Agreement, the capitalized words and terms used in this Reimbursement Agreement shall have the same meanings as set forth in the Ground Lease.

AGREEMENT

NOW, THEREFORE, based upon the foregoing Recitals, which are incorporated to the Reimbursement Agreement by this reference, and in consideration of the mutual covenants herein contained, it is agreed by and between the SDCLT and Homeowner as follows:

1. Cure of Loan Default. Pursuant to the terms and conditions of the Ground Lease and this Reimbursement Agreement, SDCLT has the right but not the obligation to make payments on behalf of Homeowner to a Permitted Mortgagee to fully or partially cure any default or delinquency in payments of a Permitted Mortgage.

2. Reimbursement Obligation of Homeowner. Homeowner shall reimburse SDCLT for any and all payments made by SDCLT to fully or partially cure any default or delinquency in payments of a Permitted Mortgagee and for any costs incurred by SDCLT in making such payments, including but not limited to the cost of staff time and interest on the sums advanced by SDCLT at the maximum allowable interest rate pursuant to law. Such payments shall be delivered to SDCLT within thirty (30) days after written demand is made therefor from SDCLT to Homeowner. SDCLT may make such written demand to Homeowner at any time after making such payments to a Permitted Mortgagee. If such written demand is made by personal delivery to Homeowner or to the Leased Land, such demand shall be deemed given immediately upon such delivery. If such written demand is made by reliable overnight delivery service (such as FedEx), such demand shall be deemed given one business day after deposit of the written demand with the overnight delivery service. If such written demand is made by registered or certified U.S. Mail, such demand shall be deemed given three (3) business days after deposit of the written demand with the U.S. Postal Service.

3. Security for Reimbursement. The obligation of Homeowner to make the reimbursement payments to SDCLT required under Section 2 shall be secured by a leasehold deed of trust (the "Deed of Trust"), which shall encumber Homeowner's interest in the Leased Land and Home. Such Deed of Trust shall be executed by Homeowner and shall be recorded in the official records of San Diego County, California, at the time Homeowner acquires the interest in the Leased Land by way of the Ground Lease. Homeowner consents to recordation of such Deed of Trust in the official records of San Diego County, California. The Deed of Trust shall secure all amounts due from Homeowner and/or his, her or their successors and assigns as provided in this Reimbursement Agreement.

4. Notice of Default and Delinquency. Homeowner shall deliver to SDCLT a copy of any notice of default or delinquency in repayment of a Permitted Mortgage which Homeowner receives from or on behalf of a Permitted Mortgagee. Such notices shall be delivered to SDCLT within five (5) days of Homeowner's receipt of such notice from a Permitted Mortgagee.

5. Waivers.

(a) Homeowner expressly agrees that any payment due hereunder may be extended from time to time at SDCLT's sole and absolute discretion and that SDCLT may accept security in consideration for any such extension or release any security for this Reimbursement Agreement at its sole discretion all without in any way affecting the liability of Homeowner.

(b) No extension of time for payment of the amounts due pursuant to this Reimbursement Agreement made by agreement by SDCLT with any person now or hereafter liable for the payment of this Reimbursement Agreement shall operate to release, discharge, modify, change or affect the original liability of Homeowner under this Reimbursement Agreement, either in whole or in part.

(c) The obligations of Homeowner under this Reimbursement Agreement shall be absolute and Homeowner waives any and all rights to offset, deduct or withhold any payments or charges due under this Reimbursement Agreement for any reasons whatsoever.

(d) To the extent permitted by law, Homeowner waives presentment, demand, notice of protest and nonpayment, notice of default or delinquency, notice of acceleration, notice of costs, expenses or leases or interest thereon, notice of dishonor, diligence in collection or in proceeding against any of the rights of interests in or to properties securing of this Reimbursement Agreement, and the benefit of any exemption under any homestead exemption laws, if applicable.

(e) No previous waiver and no failure or delay by SDCLT in acting with respect to the terms of this Reimbursement Agreement shall constitute a waiver of any breach, default, or failure or condition under this Reimbursement Agreement. A waiver of any term of this Reimbursement Agreement must be made in writing and shall be limited to the express written terms of such waiver.

6. Attorneys' Fees and Costs. Homeowner agrees that if any amounts due under this Reimbursement Agreement are not paid when due, Homeowner shall pay all costs and expenses, including but not limited to reasonable attorneys' fees, paid or incurred by SDCLT in connection with the collection or enforcement of this Reimbursement Agreement, whether or not suit is filed. Homeowner further agrees that the provisions of Section 14.14 of the Ground Lease regarding attorneys fees and costs shall be equally applicable to this Reimbursement Agreement.

7. Miscellaneous.

(a) **Term of Agreement.** This Reimbursement Agreement shall take effect upon the date set forth in the first paragraph hereof and shall remain enforceable for the Term of the Ground Lease. In the event that SDCLT or Homeowner terminates the Ground Lease for any reason whatsoever, the terms and conditions of this Reimbursement Agreement shall survive until such time as SDCLT has been fully reimbursed by Homeowner for any payments, costs, and expenses to which SDCLT is entitled under this Reimbursement Agreement.

(b) **Successor is Deemed Included in All References to Predecessor.** Whenever in this Reimbursement Agreement either Homeowner or SDCLT is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Reimbursement Agreement contained by or on behalf of Homeowner or SDCLT shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

(c) **Amendment.** No modification, rescission, waiver, release or amendment of any provision of this Reimbursement Agreement shall be made except by a written agreement executed by SDCLT and Homeowner.

(d) **Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received in the manner and to the addresses set forth in Article 14 of the Ground Lease unless this Reimbursement Agreement specifies otherwise.

(e) **Further Assurances and Corrective Instruments.** Homeowner shall execute any further documents consistent with the terms of this Reimbursement Agreement, including documents in recordable form, as SDCLT shall from time to time find necessary or appropriate to effectuate its purposes in entering into this Reimbursement Agreement.

(f) **Execution in Counterparts.** This Reimbursement Agreement may be executed in two or more separate counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts shall, together, constitute and shall be one and the same instrument.

(g) **Applicable Law.** This Reimbursement Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to conflict of law principles.

(h) **Captions.** The captions or headings in this Reimbursement Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of this Reimbursement Agreement.

[signatures on next page]

IN WITNESS WHEREOF, the SDCLT and Homeowner have duly executed this Reimbursement Agreement, all as of the date first above written.

“HOMEOWNER”

Name:

Name:

“SDCLT”

SAN DIEGO COMMUNITY LAND TRUST,
INC., a California nonprofit public benefit
corporation

By: _____

Its: _____

EXHIBIT M
(FORM OF DEED OF TRUST)

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

San Diego Community Land Trust

Attn: Executive Director

THIS SPACE FOR RECORDER'S USE ONLY

LEASEHOLD DEED OF TRUST

This LEASEHOLD DEED OF TRUST (“Deed of Trust”) is made this _____ day of _____, 200__, by and among _____ [insert Homeowner] (“Trustor”), whose address is _____, _____, California _____, _____ TITLE INSURANCE COMPANY, a California corporation (“Trustee”), and the SAN DIEGO COMMUNITY LAND TRUST, a California nonprofit public benefit corporation (“Beneficiary”).

1. Grant In Trust. For the purposes and upon the terms and conditions in this Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the “Trust Estate”): (a) Trustor’s leasehold interest in and to that certain real property in the City of _____, County of San Diego, State of California, described as set forth in Attachment “1” attached hereto and incorporated herein by reference (the “Leased Land”), as provided by that certain Ground Lease and Purchase Option of even date herewith by and between Trustor and Beneficiary (the “Ground Lease”); and (b) all buildings, structures, and residential improvements, including the building fixtures, now or in the future located on and permanently affixed to the Land (the “Home”) (collectively, the “Home” and together with the Leased Land shall sometimes be referred to as the “Site”).

2. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of any amounts owed pursuant to that certain Reimbursement Agreement of even date herewith by and between Trustor and Beneficiary, and extensions, modifications or renewals thereof; and (b) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust. Any capitalized terms contained in this Deed of Trust which are not defined herein shall have the meaning given in the Ground Lease, unless expressly provided to the contrary.

3. Payment Upon Sale, Encumbrance, Refinance, or Default. To the extent permitted by applicable law, if Trustor shall: (a) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding

the lien of a Permitted Mortgage, and any other assignment, transfer, or encumbrance approved in writing by Beneficiary pursuant to the terms and conditions of the Ground Lease); (b) unless otherwise approved in writing by Beneficiary, refinance any lien or encumbrance which has priority over the Deed of Trust; or (c) default on any of its obligations set forth in the Reimbursement Agreement and fail to cure the default within any applicable cure period, Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

4. Incorporation of Fictitious Leasehold Deed of Trust. To protect the security of this Deed of Trust, and with respect to the Site above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the San Diego County Recorder’s Office on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said Site is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Site.

NOW, THEREFORE, Trustor has caused this Deed of Trust to be executed as of the date set forth above.

“TRUSTOR”

Name:

Name:

[Notarize Signatures]

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which

notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date _____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said Deed of Trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:

By: _____

By: _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

ATTACHMENT "1" TO DEED OF TRUST

DESCRIPTION OF LEASED LAND

[Attached]