*This Ground Lease is derived from the 2011 Grounded Solutions Network Template Ground Lease and is published with the permission of Grounded Solutions Network. The template ground lease has been modified for Texas law and modified to meet the goals and interests of Guadalupe Neighborhood Development Corporation, a nonprofit affordable housing provider based in Austin. Our publication of this Ground Lease is not an endorsement by Grounded Solutions Network of either this Ground Lease or the toolkit. We strongly encourage organizations preparing a ground lease to consult the Grounded Solutions Network website at* [*www.groundedsolutions.org*](file:///C%3A%5CUsers%5Cklk3248%5CDownloads%5Cwww.groundedsolutions.org) *for updates and modifications to their template ground lease.*

**GUADALUPE NEIGHBORHOOD DEVELOPMENT CORPORATION COMMUNITY LAND TRUST GROUND LEASE**

This Guadalupe Neighborhood Development Corporation Community Land Trust Ground Lease (“*Lease*”) is entered into this day of \_\_\_\_\_\_\_\_, 20\_\_\_, between Guadalupe Neighborhood Development Corporation (“*GNDC*”) and  (“*Homeowners*”).

**RECITALS**

WHEREAS, GNDC is organized exclusively for charitable purposes, including the development and rehabilitation of high quality affordable housing and the creation of homeownership opportunities for very low to moderate income persons;

 WHEREAS, a goal of GNDC is the conveyance of high quality affordable housing to very low to moderate income persons by providing access to housing at affordable prices through the long-term leasing of land on which affordable homes are located;

 WHEREAS, the Leased Land described in this Lease has been acquired and is being leased by GNDC in furtherance of this goal;

 WHEREAS, the Homeowners share the purposes and goals of GNDC and agree to enter into this Lease not only to obtain those benefits to which the Homeowners are entitled under this Lease, but also to further the purposes and goals of GNDC;

 WHEREAS, GNDC and Homeowners recognize the special nature of the terms and conditions of this Lease, and each of them, with the independent and informed advice of a HUD-certified homebuyer counseling organization or legal counsel, freely accepts these terms and conditions, including those terms and conditions that affect the marketing and resale price of the home and the land; and

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

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

**DEFINITIONS**

Homeowners and GNDC agree on the following definitions of key terms used in the Lease:

Event of Default: Any violation of the terms and conditions of the Lease unless it has been corrected (“cured”) by Homeowners or the holder of a Permitted Mortgage in the specified period of time after a written Notice of Default has been given by GNDC.

Home: The residential structure and other permanent improvements owned by Homeowners and located on the Leased Land, including both the original Home described in Attachment A to the Deed to Improvements Only, and all permanent improvements added thereafter by Homeowners at Homeowners’ expense.

Ground Lease Fee: The monthly fee that Homeowners pay to GNDC for the possession, use, and occupancy of the Leased Land.

Leased Land: The parcel of land that is leased to Homeowners and described in Exhibit 2.1.

Original Purchase Price: The total price that is paid for the Home by the Homeowners (including the amount provided by a first mortgage loan, but not including any subsidy to the Homeowners) and more particularly defined in Section 9.10.

Permitted Mortgage: A mortgage or deed of trust on the Home and Homeowners’ right to possess, occupy, and use the Leased Land granted to a lender by Homeowners with GNDC’s permission. Homeowners may not mortgage GNDC’s interest in the Leased Land, and may not grant any mortgage or deed of trust without GNDC’s permission.

Purchase Option Price: The maximum price Homeowners are allowed to receive for the sale of the Home and Homeowners’ right to possess, occupy, and use the Leased Land, as defined in Article 9 of this Lease.

Stewardship Fee: The monthly fee that Homeowners pay to GNDC and that is held in a reserve account by GNDC and used to preserve the physical condition of the Home.

###### **ARTICLE 1: Letters of Stipulation and Acknowledgment**

Attached as Exhibit 1 LETTERS OF STIPULATION AND ACKNOWLEDGMENT and made part of this Lease by reference are (a) a Letter of Stipulation from Homeowners, and (b) a Letter of Acknowledgment from a HUD-certified homebuyer counseling organization, setting forth their respective review and understanding of this Lease and related documents for this transaction.

###### **ARTICLE 2: Lease of Leased Land**

2.1 LAND: GNDC, in consideration of the terms and conditions of this Lease, does hereby lease to Homeowners, and Homeowners do hereby rent from GNDC, the property (referred to herein as the “*Leased Land*”), described in Exhibit 2.1 Homeowners have been provided a copy of the most current survey and title report for the Leased Land, and Homeowners accept the state of title to the Leased Land in its condition “as is” as of the signing of this Lease.

2.2 CONDITION OF LEASED LAND: Homeowners agree that they are leasing the Leased Land in "as-is" condition with all faults and conditions then existing on Leased Land, including any hazardous substances or hazardous wastes that may be located on, under or around the Leased Land, whether known or unknown. Homeowners assume all responsibility for such faults and conditions. Homeowners are not relying on any representations or warranties of any kind whatsoever, express or implied from GNDC as to any matters concerning the Leased Land and except as may be otherwise expressly provided in this Lease, GNDC has made no such representation and warranty. Any and all information and documents furnished to Homeowners by or on behalf of GNDC relating to the Leased Land shall be deemed furnished as a courtesy to Homeowners but without any warranty of any kind from GNDC.

2.3 RESERVATION OF MINERAL RIGHTS: GNDC reserves to itself the oil, gas, and all other minerals and extractive resources of the Leased Land. This reservation shall not diminish the right of the Homeowners under this Lease to occupy and freely use the Leased Land. Any eventual extraction by GNDC of minerals or other extractive resources shall be carried out with as little disruption to the Homeowners as is reasonably possible. In instances requiring a material disruption of the Homeowners’ right of use and occupancy of the Leased Land, GNDC shall not make such extraction without the written consent of the Homeowners.

###### **ARTICLE 3: Duration of Lease**

3.1 PRINCIPAL TERM: The term of this Lease is 99 years, beginning on the \_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_, and ending on the \_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_, 2\_\_\_, unless ended sooner as provided elsewhere in this Lease.

3.2 CHANGE OF GNDC; HOMEOWNERS’ RIGHT TO PURCHASE: In the event that ownership of the Leased Land is conveyed or transferred (whether voluntarily or involuntarily) by GNDC to any other person or entity, this Lease shall not terminate, but shall remain binding and unaffected. However, in the event GNDC 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, Homeowners shall have a right of first refusal to purchase the Leased Land. This right shall be as specified in the attached Exhibit 3.2 RIGHT OF FIRST REFUSAL. Any sale or other transfer contrary to this section 3.2 shall be null and void.

###### **ARTICLE 4: Use of Leased Land**

4.1 RESIDENTIAL USE ONLY: Homeowners shall use, and shall cause all occupants to use, the Leased Land and the Home only for residential purposes and any incidental activities related to residential use permitted by the zoning laws currently in effect or hereafter enacted. Homeowners shall occupy the Home as their primary residence and homestead.

4.2 RESPONSIBLE USE AND COMPLIANCE WITH LAW: Homeowners shall use the Leased Land and the Home in a manner so as not to cause actual harm to others or create any nuisances, either public or private, and shall dispose of any and all waste in a safe and sanitary manner. Homeowners shall maintain the Leased Land and the Home in good, safe, and habitable condition in all respects, except for normal wear and tear, in full compliance with all applicable laws and regulations, and in such condition as is required to maintain the insurance coverage required by section 13.4 of this Lease.

4.3 RESPONSIBLE FOR OTHERS: Homeowners shall be responsible for the use of the Leased Land and the Home by all residents and their families, friends, visitors, and anyone else using the Leased Land and the Home with their consent, and shall make all such people aware of the spirit, intent, and relevant terms of this Lease.

4.4 OCCUPANCY: Homeowners shall occupy the Home for at least nine (9) months of each year of this Lease, unless otherwise agreed in writing by GNDC. Occupancy by one or more of the family members listed in (a), (b), (c), or (d) of section 9.3 of this Lease shall be considered occupancy by Homeowners.

4.5 NO SUBLEASING WITHOUT GNDC’S PERMISSION: Except as otherwise provided in Article 7 (including the Exhibit 7.1 PERMITTED MORTGAGES) and Article 9 herein, Homeowners shall not sublease, sell, or otherwise convey any of their rights under this Lease for any period of time without the prior written permission of GNDC. Homeowners agree GNDC shall have the right to withhold such permission in order to further the purposes and goals set forth in this Lease. If permission to sublease is granted, the sublease shall be subject to all the terms of this Lease and all applicable laws.

4.6 INSPECTION: GNDC may inspect any portion of the Leased Land except the interiors of fully enclosed buildings, at any reasonable time, and in any reasonable manner, upon at least twenty-four (24) hours oral notice to Homeowners. In the event of emergency, GNDC may inspect any portion of the Leased Land except the interiors of fully enclosed buildings without notice, provided GNDC shall have made reasonable efforts to give advance notice to Homeowners.

If GNDC has received an Intent-to-Sell Notice (as described in Section 9.4 below), then GNDC has the right to inspect the interiors of all fully enclosed buildings to determine their condition prior to the sale. GNDC must notify the Homeowners at least twenty-four (24) hours before carrying out such inspection.

4.7 HOMEOWNERS’ RIGHT TO PEACEFUL ENJOYMENT: Homeowners have the right to undisturbed enjoyment of the Leased Land, and GNDC has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Homeowners, subject to the provisions of this Lease.

###### **ARTICLE 5: Ground Lease Fee**

5.1 GROUND LEASE FEE: In consideration of the possession, continued use, and occupancy of the Leased Land, Homeowners shall pay to GNDC a monthly ground lease fee (the “*Ground Lease Fee”*) in an amount equal to $. Homeowner shall also pay to GNDC at the execution of this Lease a one-time lease initiation fee equal to three percent (3%) of the Original Purchase Price.

5.2 PAYMENT OF GROUND LEASE FEE: The Ground Lease Fee shall be payable to GNDC, at the address specified as GNDC’s address in Section 14.1 herein, on the first day of each month, starting on the first full month of the Lease, for as long as this Lease remains in effect, unless, with GNDC’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 Permitted Mortgagee.

5.3 REDUCTION, DELAY, OR SUSPENSION OF GROUND LEASE FEE: GNDC may reduce, delay, or suspend the Ground Lease Fee for a period of time for the purpose of improving the affordability of Homeowners’ monthly housing costs. Any such reduction, delay, or suspension must be in writing and signed by GNDC.

5.4 ADJUSTMENT OF GROUND LEASE FEE: In order to keep the Ground Lease Fee reasonably current, the amount specified in section 5.1 may be increased from time to time, but not more often than once every 2 years. GNDC shall notify Homeowners promptly upon recalculation of the new Ground Lease Fee amount, and if Homeowners do not state objections to the recalculated amount within 30 days after receipt of this notice, the Ground Lease Fee shall then be as stated by GNDC in the notice. If Homeowners do state objections to the recalculated Ground Lease Fee, and GNDC and Homeowners are then unable to agree on a recalculated Ground Lease Fee within 15 days of GNDC’s receipt of Homeowners’ objection, the dispute shall be resolved according to the dispute resolution process set forth in Article 12 herein, except that the arbitrator shall have experience in the valuation of real estate. Upon the final determination of the recalculated Ground Lease Fee in accordance with the terms of this section, GNDC shall maintain in its file a notarized certification of the amount of such recalculated Ground Lease Fee and the process by which it was determined.

## 5.5 LEASE FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED. If, for any reason, the provisions of Article 9 regarding transfers of the Home or Sections 4.4 and 4.5 regarding occupancy and subleasing are suspended or invalidated for any period of time, then during that time the Ground Lease Fee shall be increased to the fair rental value of the Leased Land as determined by an independent appraisal for use not restricted by the suspended provisions. Such increase shall become effective upon GNDC's written notice to Homeowners. Thereafter, for so long as these restrictions are not reinstated in the Lease, GNDC may, from time to time, further increase the amount of such Ground Lease Fee, provided that the amount of the Ground Lease Fee does not exceed the fair rental value of the property, and provided that such increases do not occur more often than once in every 2 years.

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## 5.6 IF PAYMENT IS LATE, INTEREST MAY BE CHARGED. If GNDC has not received any monthly installment of the Ground Lease Fee on or before the date on which such installment first becomes payable under this Lease (the "*Due Date*"), GNDC may require Homeowners to pay interest on the unpaid amount from the Due Date through and including the date such payment or installment is received by GNDC, at a rate not to exceed the lesser of 18% per annum or the maximum rate permitted by applicable law. Such interest shall be deemed an additional Ground Lease Fee and shall be paid by Homeowners to GNDC upon demand; provided, however, that GNDC shall waive any such interest that would otherwise be payable to GNDC if such payment of the Ground Lease Fee is received by GNDC on or before the 30th day after the Due Date.

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## 5.7 GNDC CAN COLLECT UNPAID FEES WHEN HOME IS SOLD. In the event that any amount of payable Ground Lease Fee remains unpaid when the Home is sold, the outstanding amount of payable Ground Lease Fee, including any interest as provided above, shall be paid to GNDC out of any proceeds from the sale that would otherwise be due to Homeowners. GNDC shall have, and Homeowners hereby consent to, a lien upon the Home for any unpaid Ground Lease Fee. Such lien shall be prior to all other liens and encumbrances on the Home except (a) liens and encumbrances recorded before the recording of this Lease, (b) Permitted Mortgages as defined in Section 7.1 below; and (c) liens for real property taxes and other governmental assessments or charges against the Home.

###### **ARTICLE 6: Home and Stewardship Fee**

6.1 OWNERSHIP: The Home shall be the property of the Homeowners. Title to the Home shall be and remain vested in the Homeowners. However, Homeowners’ rights of ownership are limited by certain provisions of this Lease, including provisions regarding the sale or leasing of the Home by Homeowners and GNDC’s option to purchase the Home. In addition, Homeowners shall not remove any part of the Home from the Leased Land without GNDC’s prior written permission.

6.2 PURCHASE OF HOME BY HOMEOWNERS: Upon the signing of this Lease, Homeowners are simultaneously purchasing the Home located on the Leased Land, as described in Attachment A to the Deed to Improvements Only.

6.3 CONSTRUCTION AND ALTERATION: Homeowners shall obtain advanced, written approval from GNDC for any capital improvements or modifications whose costs exceed $2,000. Any construction or alteration in connection with the Home is subject to the following conditions:

 (a) all costs shall be paid for by Homeowners;

 (b) all construction or alteration shall be performed in a professional manner and shall comply with all applicable laws, ordinances, and regulations;

 (c) all construction or alteration shall be consistent with the permitted uses set forth in Article 4 herein; and,

 (d) the footprint, square-footage, and height of an existing Home shall not be changed and no new Home construction or construction of improvements to an existing Home shall be built or installed on the Leased Land without the prior written consent of GNDC, which consent may be withheld in GNDC’s sole and absolute discretion.

For any construction requiring GNDC’s prior written consent, Homeowners shall submit a written request to GNDC. Such request shall include:

 (a) a written statement of the reasons for undertaking the construction;

 (b) a set of drawings (floor plan and elevations) showing the dimensions of the proposed construction;

 (c) a list of the necessary materials, with quantities needed;

 (d) a statement of who will do the work;

 (e) the name of the proposed lender;

 (f) the principal amount of the proposed loan;

 (g) expected closing costs;

 (h) the rate of interest;

 (i) the repayment schedule; and

 (j) evidence reasonably satisfactory to GNDC of Homeowners’ ability to pay for the construction.

If GNDC finds it needs additional information, it shall request such information from Homeowners within two weeks of receipt of Homeowners’ request. GNDC then, within two weeks of receiving all necessary information (including any additional information it may have requested) shall give Homeowners either its written consent or a written statement of its reasons for not consenting. Homeowners shall provide GNDC with copies of all necessary building permits, if not previously provided.

Homeowners acknowledge that Homeowners will not recover, upon resale of the Home, any increase in the market value of the Home resulting from Homeowners’ construction or alterations.

6.4 PROHIBITION OF LIENS: No lien of any type shall attach to GNDC’s title to the Leased Land, to GNDC’s interest in the Leased Land, or to any other property owned by GNDC. Homeowners shall not permit any statutory or similar lien to be filed against the Leased Land, the Home, or any interest of GNDC that remains more than 60 days after it has been filed. Homeowners shall take action to discharge such lien, whether by means of payment, deposit, bond, court order, or other means permitted by law. If Homeowners fail to discharge such within the 60-day period, then Homeowners shall immediately notify GNDC of such failure. GNDC shall have the right to discharge the lien by paying the amount in question. Homeowners may, at Homeowners’ expense, contest the validity of any such asserted lien, provided Homeowners have furnished a bond or other acceptable surety in an amount sufficient to release the Leased Land from such lien. Any amounts paid by GNDC to discharge such liens shall be treated as an additional Ground Lease Fee payable by Homeowners upon demand.

6.5 MAINTENANCE AND SERVICES: For those costs not covered by the Stewardship Fee (see Section 6.7 below and Exhibit 6.7), Homeowners shall, at Homeowners’ sole expense, maintain the Home and Leased Land as required by section 4.2 herein and shall see that all necessary maintenance, repairs, and replacements are accomplished when needed. GNDC 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 Home or Leased Land. Homeowners hereby assume sole responsibility for furnishing all services and facilities. If Homeowners fail to maintain the Home and the Leased Land in this manner, and if Homeowners have not cured such condition within 30 days after receiving a notice from GNDC of such condition, or in the event of an emergency, then in addition to any other rights available to GNDC, GNDC has the right (but not the obligation) to perform all acts necessary to cure such condition. The costs of such cure will be due from Homeowners as an additional Ground Lease Fee payable by Homeowners upon demand of GNDC. If for any reason the Home is vacant, Homeowners shall maintain a utility connection until the Home is transferred in accordance with this Lease.

## 6.6 DISPOSITION OF HOME UPON EXPIRATION OR TERMINATION OF LEASE TERM: Except in the case of a transfer of the Home as permitted by the provisions of Article 9, upon the expiration or termination of this Lease, ownership of the Home shall revert to GNDC. Upon thus assuming title to the Home, GNDC shall promptly pay Homeowners and Permitted Mortgagee(s), as follows:

### (a) FIRST, GNDC shall pay any Permitted Mortgagee(s) the full amount owed to such mortgagee(s) by Homeowners;

(b) SECOND, after the payment described above, GNDC shall pay Homeowners the balance of the Purchase Option Price calculated in accordance with Article 9 below, as of the time of reversion of ownership, less the total amount of any unpaid Ground Lease Fee and any unpaid Stewardship Fee and any other amounts owed to GNDC under the terms of this Lease. Homeowners shall be responsible for any costs necessary to clear any liens or other charges related to the Home and Leased Land which may be assessed against the Home. If Homeowners fail to clear such liens or charges, the balance due Homeowners shall also be reduced by the amount necessary to release such liens or charges, including reasonable attorney's fees incurred by GNDC.

6.7 THE STEWARDSHIP FEE: Homeowners will pay GNDC a monthly stewardship fee of **$\_\_\_\_\_\_\_\_** (the “*Stewardship Fee*”) to be held by GNDC as a designated reserve for the purpose of preserving the physical condition of the Home and the Leased Land for the long term. Homeowners’ monthly Stewardship Fee payments will be held by GNDC in a designated reserve account affiliated with the Home (the “*Stewardship Fee Reserve*”). The Stewardship Fee Reserve will fund capital replacements and repair requirements to the Home as set forth in EXHIBIT 6.7 and EXHIBIT 9.12. The existence of the Stewardship Fee Reserve does not alter Homeowners’ repair and maintenance obligations under this Lease. The use of the Stewardship Fee Reserve is at the discretion of GNDC.

6.8 PAYMENT OF STEWARDSHIP FEE. Homeowners shall pay the monthly Stewardship Fee to GNDC at the address specified as GNDC’s address in Section 14.1 herein, on the first day of each month, starting on the first full month of the Lease, for as long as this Lease remains in effect. Stewardship Fee payments remaining in the Stewardship Fee Reserve at the time of sale or transfer of the Home that are not used to fund repair requirements identified pursuant to the process set forth in Exhibit 9.12 will not be returned to Homeowners but will be kept by GNDC.

6.9 GNDC CAN COLLECT UNPAID STEWARDSHIP FEES WHEN HOME IS SOLD. In the event that any amount of payable Stewardship Fee remains unpaid when the Home is sold, the outstanding amount of payable Stewardship Fee shall be paid to GNDC out of any proceeds from the sale that would otherwise be due to Homeowners. GNDC shall have, and Homeowners hereby consent to, a lien upon the Home for any unpaid Stewardship Fee. Such lien shall be prior to all other liens and encumbrances on the Home except (a) liens and encumbrances recorded before the recording of this Lease, (b) Permitted Mortgages as defined in Section 7.1 below; and (c) liens for real property taxes and other governmental assessments or charges against the Home.

6.10 ADJUSTMENT OF STEWARDSHIP FEE: The Stewardship Fee stated in section 6.7 herein, as adjusted in the way provided in this Section 6.10, will be applicable during the term of this Lease.

In order to keep the Stewardship Fee reasonably current, the amount specified in section 6.7 may be recalculated each year during the term of the Lease. At such intervals, the amount may be recalculated based on the age, condition, and identifiable wear and tear of the major systems in the Home and the market costs of making the necessary replacements and repairs. GNDC shall notify Homeowners promptly upon recalculation of the new Stewardship Fee amount, and, if Homeowners do not state objections to the recalculated amount within 30 days after receipt of this notice, the Stewardship Fee will then be as stated by GNDC in the notice. If Homeowners do state objections to the recalculated Stewardship Fee, and GNDC and Homeowners are then unable to agree on a recalculated Stewardship Fee within 15 days of GNDC’s receipt of Homeowners’ objection, the dispute shall be resolved according to the dispute resolution process set forth in Article 12. Upon the final determination of the recalculated Stewardship Fee in accordance with the terms of this section, GNDC shall maintain in its file a notarized certification of the amount of such recalculated Stewardship Fee and the process by which it was determined.

###### **ARTICLE 7: Financing**

## 7.1 HOMEOWNERS CANNOT MORTGAGE THE HOME WITHOUT GNDC’S PERMISSION: Homeowners may mortgage the Home only with the written permission of GNDC. Any mortgage or deed of trust permitted in writing by GNDC is defined as a Permitted Mortgage, and the holder of such mortgage or deed of trust is defined as a Permitted Mortgagee. For purposes of this Lease, the terms "mortgage" and "deed of trust" shall have the same meaning and may be used interchangeably.

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## 7.2 BY SIGNING LEASE, GNDC GIVES PERMISSION FOR ORIGINAL MORTGAGE: By signing this Lease, GNDC gives written permission for any mortgage or deed of trust signed by Homeowners effective on the day this Lease is signed for the purpose of financing Homeowners’ purchase of the Home.

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## 7.3 HOMEOWNERS MUST GET SPECIFIC PERMISSION FOR REFINANCING OR OTHER SUBSEQUENT MORTGAGES: If, at any time subsequent to the purchase of the Home and the signing of the Lease, Homeowners seek 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), Homeowners must inform GNDC, in writing, of the proposed terms and conditions of such mortgage loan at least 20 days prior to the expected closing date of the loan. The information to be provided to GNDC must include:

### a) the name of the proposed lender;

### b) Homeowners’ 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; and

### g) a copy of the appraisal commissioned in connection with the loan request.

### GNDC may also require Homeowners to submit additional information. GNDC will not permit such a mortgage loan, whether for purchase or refinancing of a Home, or the construction of improvements to an existing Home, or for construction of a new Home, if the loan increases Homeowners’ total mortgage debt to an amount greater than 80% of the Purchase Option Price, calculated in accordance with Article 9 below, or if GNDC reasonably determines that the terms of the transaction otherwise threaten the interests of either Homeowners or GNDC.

## 7.4 GNDC IS REQUIRED TO PERMIT A “STANDARD PERMITTED MORTGAGE”: GNDC shall be required to permit any mortgage for which the mortgagee has signed a "Standard Permitted Mortgage Agreement" as set forth in Exhibit 7.1: Permitted Mortgages and for which the loan secured thereby does not increase Homeowners’ total mortgage debt to an amount greater than 80% of the Purchase Option Price, calculated in accordance with Article 9 below.

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## 7.5 A PERMITTED MORTGAGEE HAS CERTAIN OBLIGATIONS UNDER THE LEASE: Any Permitted Mortgagee shall be bound by each of the requirements stated in Exhibit 7.1: Permitted Mortgages, 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 Homeowners and GNDC to modify the terms of the Lease during the term of the Permitted Mortgage.

## 7.6 A PERMITTED MORTGAGEE HAS CERTAIN RIGHTS UNDER THE LEASE: Any Permitted Mortgagee shall have all of the rights and protections stated in Exhibit 7.1: Permitted Mortgages, which is made a part of this Lease by reference. Any amendments to this Lease are subject to the written approval of Permitted Mortgagee, whose approval will not be unreasonably withheld or delayed. The passage of 60 days after submittal to Permitted Mortgagee of a proposed amendment without approval or disapproval by Permitted Mortgagee will be deemed approval thereof.

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

###### **ARTICLE 8: Taxes and Assessments**

8.1 TAXES AND ASSESSMENTS: Homeowners shall be responsible for the payment of all taxes and governmental assessments that relate to the Home and the Leased Land in full no later than the due date. Homeowners shall also pay directly, when due, all other service bills, utility charges, or other governmental assessments charged against the Leased Land.

8.2 TAXES ON LEASED LAND: In the event that the local taxing authority bills GNDC for any portion of the taxes on the Home or the Leased Land, GNDC shall pass the bill to Homeowners and Homeowners shall promptly pay such bill.

8.3 HOMEOWNERS’ RIGHT TO CONTEST: Homeowners shall have the right to contest the amount or validity of any taxes relating to the Home and Leased Land. Upon receiving a reasonable request from Homeowners for assistance in this matter, GNDC shall join in contesting such taxes. All costs and expenses of such proceedings shall be paid by Homeowners.

8.4 PAYMENTS IN EVENT OF DELINQUENCY: In the event that Homeowners fail to pay the taxes or other charges specified in section 8.1 herein, GNDC may increase Homeowners’ Ground Lease Fee to offset the amount of taxes and other charges owed by Homeowners. Upon collecting any such amount, GNDC shall pay the amount collected to the taxing authority in a timely manner.

8.5 PROOF OF COMPLIANCE: Concurrently with the payment of any taxes, assessments, and charges required or permitted by the provisions of this Lease, each party has the right to demand evidence from the other party documenting such payment. A photocopy of a receipt for such charges showing payment on or before the due date is sufficient evidence for purposes of this section, and shall be the usual method of furnishing such evidence.

###### **ARTICLE 9: Transfer of the Home**

9.1 INTENT: Homeowners and GNDC agree that the provisions of this Article 9 are intended to preserve the affordability of the Home for very low to moderate income households and expand access to homeownership opportunities for such households.

9.2 TRANSFERS TO INCOME-QUALIFIED PERSONS: While living, Homeowners may transfer the Home only to GNDC; an Income-qualified Person as defined below; or a Permitted Mortgagee in lieu of foreclosure. All such transfers are to be completed in strict compliance with this Article 9, and the purchase price attended to any transfer shall not exceed the Purchase Option Price defined in 9.9. All such transfers shall be subject to GNDC’s review and purchase option rights set forth in this Article 9. Homeowners hereby agree to provide GNDC with such information that GNDC may require to verify that the transfer was completed in accordance with the terms and conditions of this Lease. Any purported transfer done without following the procedures set forth below, except in the case of a transfer to a Permitted Mortgagee in lieu of foreclosure, shall be null and void.

“Income-qualified Person” shall mean a person or group of persons whose annual gross household income is equal to or less than 80% of the median household income for the applicable Standard Metropolitan Statistical Area or County as calculated and adjusted for household size from time-to-time by the U.S. Department of Housing and Urban Development (HUD) or any successor.

9.3 TRANSFER TO HOMEOWNERS’ HEIRS: If the Homeowners die, the executor or personal representative of the Homeowners’ estate shall notify GNDC within 30 days of the date of the death if any of the Homeowners’ heirs intend to occupy the Home. Upon receipt of the notice, GNDC shall, unless for good cause shown, consent to occupancy of the Home by one or more of the Homeowners’ heirs listed below as “Eligible Heirs,” provided that the heir gives GNDC a signed Letter of Stipulation and a signed Letter of Acknowledgment in the form attached herein as Exhibit 1, setting forth the heir’s review, understanding, and acceptance of the terms of the Lease, and provided that the heir enters into a new Lease with GNDC. “Eligible Heirs” are: (a) a spouse; (b) parents; (c) children; or (d) grandchildren. If the Eligible Heirs are unable or unwilling to provide a Letter of Stipulation and a Letter of Acknowledgment, then they will not be entitled to possession of the Home or the Leased Land and must transfer their interests in the Home and Leased Land in accordance with the provisions of this Article 9.

Any other heirs, legatees, or devisees of Homeowners, in addition to submitting Letters of Stipulation and Acknowledgment as provided herein, must demonstrate to GNDC’s reasonable satisfaction that they are Income-qualified Persons as defined in Section 9.2, or, if unable to do so, shall not be entitled to possession of the Home and must transfer their interests in the Leased Land and the Home in accordance with the provisions of this Article 9.

9.4 HOMEOWNERS’ NOTICE OF INTENT TO SELL: In the event that Homeowners wish to sell the Home, Homeowners shall notify GNDC in writing of such wish as set forth in Exhibit 9.4 (the “*Intent-To-Sell Notice*”). The Intent-to-Sell Notice shall include a statement as to whether Homeowners wish to recommend a prospective buyer as of the date of the Notice.

9.5 APPRAISAL: At its discretion, GNDC may commission a market valuation of the Leased Land and Home (the “*Appraisal*”) no later than ten (10) days after GNDC’s receipt of Homeowners’ Intent-To-Sell Notice. The Appraisal will be performed by a mutually acceptable and duly licensed appraiser. GNDC shall commission and pay the cost of such Appraisal. The Appraisal shall be conducted by analysis and comparison of comparable properties as though title to the Land and Home were held in fee simple absolute, disregarding the restrictions of this Lease on the use of the Land and the transfer of the Home. The Appraisal shall state the values contributed by the Land and by the Home as separate amounts. Copies of the Appraisal shall be provided to both GNDC and Homeowners.

9.6 GNDC’S PURCHASE OPTION.

(a) Purchase Option: Upon receipt of an Intent-to-Sell Notice from Homeowners, GNDC shall have the option to purchase the Home (the “*Purchase Option*”) at the Purchase Option Price as calculated in Section 9.9 herein. The Purchase Option is designed to further the purpose of preserving the affordability of the Home for succeeding Income-qualified Persons while taking fair account of the investment by the Homeowners.

(b) Exercise of Purchase Option: If GNDC elects to purchase the Home, GNDC shall exercise the Purchase Option by notifying Homeowners, in writing, of such election (the “*Notice of Exercise of Option*”) within fourteen (14) days of the completion of the Repair Requirements defined in Section 9.12 below, or the Purchase Option shall expire. Having given such notice, GNDC may either proceed to exercise the Purchase Option directly by purchasing the Home, or may assign the Purchase Option to an Income-qualified Person.

(c) Completion of Purchase: If GNDC provides a Notice of Exercise of Option to Homeowners, Homeowners and GNDC or its assignee shall, within thirty (30) days of the Notice of Exercise of Option, enter into a purchase and sales contract for the Home which:

(1) Requires the Homeowners to pay at the closing of the purchase:

(i) all closing costs related to the purchase by GNDC or its assignee, including, but not limited to, the basic premium for an owner’s title insurance policy in the amount of the Purchase Option Price and pro rata taxes from January 1 of the year of closing to the closing date;

(ii) any costs of curing title objections made by GNDC;

(iii) a fee to GNDC to cover any outstanding Ground Lease Fee, any outstanding Stewardship Fee, and any other sums owed by Homeowners to GNDC under the Lease; and

(iv) any amounts necessary to discharge any liens against the Home.

(2) Requires closing at the title company insuring title to the Home or another mutually acceptable closing office.

The purchase (by GNDC or GNDC’s assignee) must be completed within ninety (90) days of GNDC’s Notice of Exercise of Option, or Homeowners may sell the Home as provided in Section 9.7 herein. The time permitted for the completion of the purchase pursuant to GNDC’s Notice of Exercise of Option may be extended by mutual agreement of GNDC and Homeowners.

Homeowners may recommend to GNDC a prospective buyer who is an Income-qualified Person and is prepared to submit Letters of Stipulation and Acknowledgment indicating informed acceptance of the terms of this Lease. GNDC shall make reasonable efforts to arrange for the assignment of the Purchase Option to such person unless GNDC determines that retention of the Home for another purpose or transfer of the Home to another party better serves its mission.

9.7 IF PURCHASE OPTION EXPIRES: If GNDC does not exercise the Purchase Option, the Purchase Option has expired, or GNDC or GNDC’s assignee fail to complete the purchase within the 90-day period allowed by section 9.6 herein, Homeowners may sell the Home to an Income-qualified Person for not more than the Purchase Option Price, and GNDC shall enter into a new ground lease with that Income-qualified Person. No assignment, sale, transfer, or other disposition will be effective unless and until GNDC has confirmed in writing that (a) such assignee or buyer is an Income-qualified Person, and (b) that the terms of sale or assignment are permitted under this Lease. GNDC shall, within 45 days or receipt of notice and accompanying documentation, notify Homeowners if such assignee or buyer qualifies as an Income-qualified Person and the terms of sale or assignment are permitted.

An assignment, sale, transfer, or other disposition under Section 9.7 or Section 9.8 will not be effective until the new buyer or assignee enters into a new Ground Lease with GNDC and submits a Letter of Stipulation and Letter of Acknowledgment in the form attached herein as Exhibit 1, setting forth the person’s review, understanding, and acceptance of the terms of the Lease.

9.8 GNDC’S POWER OF ATTORNEY TO CONDUCT SALE: In the event GNDC does not exercise its option and complete the purchase of the Home as set forth herein, and Homeowners (a) are not then residing in the Home, and (b) continue to hold the Home out for sale but are unable to locate a buyer and execute a binding purchase and sale agreement within one (1) year of giving the Intent-to-Sell Notice, Homeowners do hereby appoint GNDC their attorney-in-fact to seek a buyer, negotiate a reasonable price that furthers the goals set forth in this Lease but does not exceed the Purchase Option Price, sell the property, and distribute the proceeds of sale minus GNDC’s costs of sale, costs of reletting, and any other sums owed GNDC by Homeowners.

9.9 PURCHASE OPTION PRICE: In no event may the Home be sold for a price that exceeds the Purchase Option Price. The Purchase Option Price shall be the lesser of: (a) the value of the Home as determined by the Appraisal should one have been commissioned and conducted as provided in section 9.5 herein, or (b) the price calculated in accordance with the formula described in section 9.10 herein (the “*Resale Formula Price*”).

9.10 CALCULATION OF THE RESALE FORMULA PRICE: The Resale Formula Price is the sum of:

 (a) the price paid by Homeowners for the Home existing on the Leased Land at the commencement of the term of this Lease (the “*Original Purchase Price*”), which GNDC and Homeowners agree is $ , and

 (b) an amount equal to the Original Purchase Price multiplied by % per year for each year (and any portion of a year calculated daily), that the Homeowners have owned the Home, up to a cap of thirty (30) years. See attached Exhibit 9.10 RESALE FORMULA PRICE SCHEDULE for yearly resale values under this formula.

9.11 QUALIFIED PURCHASER WILL RECEIVE NEW LEASE: GNDC shall issue a new Ground Lease to a person who purchases the Home in accordance with the terms of this Article 9. Upon recordation of such new lease, this Lease will terminate.

9.12 REPAIR REQUIREMENTS: Upon GNDC receiving a Notice of Intent to Sell from Homeowner, GNDC will contact Homeowners within five (5) business days to schedule GNDC’s inspection of the Home (“*GNDC’s Inspection*”).

If a buyer requests an inspection of the Home by an independent, third party, Homeowners shall consent to an inspection of the Home (the “*Professional Inspection*”) by a home inspector acceptable to GNDC. GNDC will not pay for the Professional Inspection, and the balance of the Stewardship Fee Reserves will not be used to pay for the Professional Inspection. Within five (5) business days after GNDC receives the report from the Professional Inspection, GNDC will contact Homeowners to schedule GNDC’s Inspection.

Within fourteen (14) business days of GNDC’s Inspection, GNDC will make available to Homeowners a list of repair requirements which must be met by Homeowner (the “*Repair Requirements*”). If a Professional Inspection is conducted, the Repair Requirements will not exceed any repair requirements listed in the Professional Inspection.

Homeowners shall bear one hundred percent (100%) of the costs of the Repair Requirements. Homeowners may apply the balance of their allotted Stewardship Fee Reserves towards the cost of the Repair Requirements. In preparing this list, GNDC will reference the standards described in EXHIBIT 9.12.

After Homeowners have completed the Repair Requirements, Homeowners shall contact GNDC to schedule an inspection of the completed home and repairs. GNDC will certify when the Repair Requirements have been completed to GNDC’s satisfaction.

###### **ARTICLE 10: Reserved**

###### **ARTICLE 11: Default**

11.1 MONETARY DEFAULT BY HOMEOWNERS: It shall be an Event of Default if Homeowners fail to pay the Ground Lease Fee, the Stewardship Fee, or other charges required by the terms of this Lease and such failure is not cured by Homeowners or a Permitted Mortgagee within 30 days after notice of such failure is given by GNDC to Homeowners and Permitted Mortgagee. However, if Homeowners make a good faith partial payment of at least 2/3 of the amount owed during such initial 30-day period, then such period shall be extended by one, additional 30-day period.

11.2 NON-MONETARY DEFAULT BY HOMEOWNERS: It shall be an Event of Default if Homeowners fail to abide by any other requirement or restriction stated in this Lease, and such failure is not cured by Homeowners or a Permitted Mortgagee within 60 days after notice of such failure is given by GNDC to Homeowners and Permitted Mortgagee. However, in the case where Homeowners or Permitted Mortgagee have commenced to cure such default within such 60-day period and are continuing such cure with all due diligence but cannot by the exercise of due diligence cure such default within such 60-day period, such 60-day period shall be extended for such additional period as GNDC determines to be reasonably required under the circumstances to complete such cure. It will also be an event of default if Homeowners sell or transfer, or attempt to sell or transfer, the Leased Land or Home in violation of the terms of this Lease.

11.3 DEFAULT BY HOMEOWNERS RESULTING FROM JUDICIAL PROCESS: It shall be an event of default if: (a) the estate hereby created is taken on execution or by other process of law; (b) Homeowners are judicially declared bankrupt or insolvent according to law; (c) any assignment is made of the property of Homeowners for the benefit of creditors; (d) a receiver, trustee in involuntary bankruptcy, or other similar officer is appointed to take charge of any substantial part of Homeowners’ property by a court of competent jurisdiction; (e) a petition is filed for the reorganization of Homeowners under any provisions of the Bankruptcy Act now or hereafter enacted; or (f) Homeowners file a petition for such reorganization, or for arrangements under any provision of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy, or extend the time for payment of debts.

11.4 REMEDIES UPON DEFAULT: If any of the Events of Default specified above occurs and the default is not cured within the relevant cure period, GNDC will have the following remedies:

### (a) Cure On Behalf of Homeowners. GNDC may, but is not obligated to, perform such duty or obligation to cure the acts of default on Homeowners’ behalf. The cost of any such performance by GNDC shall be due and payable by Homeowners to GNDC upon receipt of invoice from GNDC. If any check given to GNDC by Homeowners is not honored by the bank upon which it was drawn, GNDC may require that all future payments by Homeowners be made by cashier's or bank check.

### (b) Termination. GNDC may terminate this Lease and tenancy by giving Homeowners 3-days’ notice to vacate the premises.  In the event Homeowners do not vacate the premises, GNDC may file suit for a forcible detainer in the justice court of the precinct in which the premises are located. Upon obtaining a final judgment for possession, GNDC has all the rights and remedies consistent with the law and resulting court orders to enter the Leased Land and Home and repossess the entire Leased Land and Home, and expel Homeowners and those claiming rights through Homeowners.

###  If GNDC elects to terminate the Lease, then the Permitted Mortgagee has the right (subject to Article 7 above) to postpone and extend the termination of the Lease for a period sufficient to enable the Permitted Mortgagee or its designee to acquire Homeowners’ interest in the Home and the Leased Land by foreclosure of its mortgage or otherwise.

### (c) RECOVERY OF DAMAGES: GNDC may recover from Homeowners, (i) any and all unpaid Ground Lease Fee, Stewardship Fee, taxes, assessments, and other charges; (ii) damages which may be due or sustained prior to or in connection with any preceding breach of any covenant of this Lease and termination of this Lease; and (iii) all reasonable costs, fees, and expenses (including, without limitation, reasonable attorneys’ fees) incurred by GNDC in pursuit of its remedies under this Lease.

### (d) EXERCISE OF PURCHASE OPTION: Homeowners hereby grant to GNDC the option, upon an event of default in Section 11.1, 11.2, or 11.3, to purchase the Home for the Purchase Option Price, as such price is defined in Article 9 above. Such option to purchase on default shall be referred to in this Lease as the Purchase Option Upon Default. Said option to purchase is given in consideration of the economic benefits received by Homeowners resulting from Homeowners’ purchase of the Home at a below market price made possible by GNDC.

###  Within 30 days after the expiration of any applicable cure period as established in Sections 11.1 or 11.2 above or within 30 days after any of the events constituting an Event of Default under Section 11.3 above, GNDC shall notify Homeowners and the Permitted Mortgagee(s) of its decision to exercise its Purchase Option Upon Default. Not later than 90 days after GNDC gives notice to Homeowners of GNDC’s intent to exercise its Purchase Option Upon Default, GNDC or its assignee shall purchase the Home for the Purchase Option Price set forth in Section 9.9, and title to the Home shall be delivered by Homeowners to GNDC by deed, free and clear of any mortgage or other liens, unless approved in writing by GNDC. In the event AHFH exercises its Purchase Option Upon Default, Homeowners shall permit GNDC or its assignee to conduct a final walk-through of the Home in the final 3 days prior to the closing of the purchase. GNDC may assign its rights to purchase the Home under the Purchase Option Upon Default to an Income-qualified Person.

11.5 OTHER REMEDIES: GNDC may pursue any other remedy now or hereafter available to GNDC under the laws of Texas.

11.6 REMEDIES CUMULATIVE: No right, power, or remedy given to GNDC by the terms of this Lease is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to GNDC by the terms of any such instrument, or by any statute or otherwise against Homeowners and any other person. Neither the failure nor any delay on the part of GNDC to exercise any such rights and remedies shall operate as a waiver thereof, nor shall any single or partial exercise by GNDC of any such right or remedy preclude any other or further exercise of such right or remedy, or any other right or remedy.

11.7 DEFAULT BY GNDC: GNDC will in no event be in default in the performance of any of its obligations under the Lease unless and until GNDC has failed to perform such obligations within 60 days, or such additional time as is reasonably required to correct any default, after written notice by Homeowners to GNDC properly specifying GNDC’s failure to perform any such obligation. GNDC shall not be liable for any consequential or incidental damages, however caused.

###### **ARTICLE 12: Mediation and Arbitration**

12.1 MEDIATION: GNDC and Homeowners shall attempt in good faith to resolve promptly any dispute arising out of or relating to this Lease by negotiation. In the event such negotiation does not resolve the dispute, GNDC and Homeowners agree to submit the dispute to mediation. Mediation costs will be split equally among the parties. In the event that the mediation is unsuccessful, the parties agree to submit the dispute to binding arbitration according to the provisions in Section 12.2 herein.

12.2 ARBITRATION: The arbitration is to be conducted before a single arbitrator whom GNDC and Homeowners shall jointly select. Arbitration costs will be split equally among the parties. Such arbitrator must be a member of the Bar of the State of Texas. If GNDC and Homeowners are unable to agree upon the arbitrator, either party may request the American Arbitration Association to select the arbitrator. Prior to the commencement of hearings, the arbitrator appointed must provide an oath or undertaking of impartiality.

The arbitrator shall hold a hearing within 30 days after the initial written notice by the initiator of the arbitration process. At the hearing, GNDC and Homeowners shall have an opportunity to present evidence and question witnesses in the presence of each other. As soon as reasonably possible, and in no event later than fifteen (15) days after the hearing, the arbitrator shall make a written report to GNDC and Homeowners of its findings and decisions. The arbitrator shall decide the dispute or claim in accordance with the substantive law of the jurisdiction and what is just and equitable under the circumstances. The decisions and awards of the arbitrator shall be binding and final. Such judgment may be entered and enforced in any court of competent jurisdiction.

**ARTICLE 13: Liability, Indemnification, Insurance, Damage or Destruction, Eminent Domain**

13.1 HOMEOWNERS ASSUME ALL LIABILITY: Homeowners assume all responsibility and liability related to Homeowners’ possession, occupancy, and use of the Leased Land.

**13.2** **INDEMNIFICATION OF GNDC: Homeowners shall defend, indemnify, and hold harmless GNDC and its agents, officers, representatives, and employees (the “*Released Parties*”) against all liability and claims of liability for injury or damage to persons or property from any cause on or about the Leased Land. Homeowners waive all claims against the Released Parties for injury or damage to person or property on or about the Leased Land. The foregoing indemnification, hold harmless, and waiver provisions cover injuries or damages caused by the negligent acts or omissions of the Released Parties. However, GNDC shall remain liable for injury or damage due to the grossly negligent or intentional acts or omissions of the Released Parties.**

13.3 PAYMENT BY GNDC: In the event GNDC shall be required or elects to pay any sum that is Homeowners’ responsibility or liability, Homeowners shall reimburse GNDC for such payment and for reasonable expenses caused thereby.

13.4 INSURANCE: Homeowners shall comply with the specific insurance requirements set forth in EXHIBIT 13.4.

Homeowners shall, at Homeowners’ sole expense, keep the Home continuously insured against loss or damage by fire and the extended coverage hazards, for the 100%, full replacement value of the Home.

Homeowners shall, at Homeowners’ sole expense, maintain continuously in effect liability insurance covering the Home and the Leased Land. The dollar amount of this coverage shall be $500,000. The dollar amount of this coverage may be adjusted at two-year intervals beginning on the date the term of this Lease commences, or upon GNDC’s demand, given not more often than annually, upon 30 days’ notice to Homeowners. Such insurance shall specifically insure Homeowners against all liability assumed under this Lease as well as all liability imposed by law, and shall also insure GNDC as an additional insured so as to create the same liability on the part of insurer as though separate policies had been written for GNDC and Homeowners.

Homeowners shall provide GNDC with copies of all insurance policies and renewals of insurance 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 30 days prior written notice to GNDC. GNDC shall be entitled to participate in the defense, settlement, or adjustment of any losses covered by such policies of insurance.

13.5 DAMAGE OR DESTRUCTION: Except as provided herein, in the event of fire or other damage to the Home, Homeowners shall take all steps necessary to ensure the repair of such damage and the restoration of the Home to their condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible, and in conformity with the terms and conditions of this Lease and all applicable laws, ordinances, and regulations. Homeowners shall also promptly take all steps necessary to ensure that the Leased Land is safe and that the damaged Home does not constitute a danger to persons or property.

If Homeowners, using reasonable judgment and relying on professional estimates, determine either (a) that full repair and restoration is physically impossible, or (b) that the available insurance proceeds will pay for less than 100% of the cost of necessary repairs and restoration (provided Homeowners have fulfilled all the hazard insurance requirements set forth in section 13.4 herein) and Homeowners cannot otherwise afford to cover the balance of the cost of repairs, then Homeowners shall notify GNDC of this problem, and GNDC 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 Homeowners and GNDC.

If Homeowners and GNDC cannot agree on a way of restoring the Home in the absence of adequate insurance proceeds and other resources of Homeowners, then Homeowners may give GNDC written notice of intent to terminate this Lease. The date of actual termination shall be no less than 60 days after the date of Homeowners’ notice of intent to terminate. Upon termination, any insurance proceeds payable to Homeowners for damages to the Home shall be paid in the following order of priority:

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

 SECOND, to cover the expense of enclosing or razing the remains of the Home and clearing debris;

 THIRD, to GNDC for any amounts owed under this Lease;

 FOURTH, to Homeowners, up to any amount equal to the Purchase Option Price, as of the day prior to the loss; and

 FIFTH, the balance, if any, to GNDC.

## 13.6 EMINENT DOMAIN AND PUBLIC DEDICATION: 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 the reasonable cost of repair to its usefulness or desirability prior to the taking, then 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 13.5 above for insurance proceeds.

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, GNDC may in its discretion allocate some or all of the monetary compensation to enable Homeowners to accomplish such a restoration. Any balance remaining after or in the absence of such allocation shall be allocated as provided in the preceding paragraph for a taking of the entire Leased Land.

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 Home for residential purposes, then any monetary compensation for such taking shall be allocated entirely to GNDC.

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

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

###### **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 GNDC: 813 E. 8th Street, Austin, Texas, 78702

with a copy to: Ms. Eliza Platts-Mills (GNDC’s attorney)

 Entrepreneurship and Community Development Clinic

 University of Texas School of Law

 727 East Dean Keeton Street

 Austin, Texas 78705

If to Homeowners: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

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

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

14.2 NO BROKERAGE: Homeowners warrant that it has not dealt with any real estate broker in connection with the purchase of the Leased Land. If any claim is made against GNDC regarding dealings with brokers or counselors, Homeowners shall defend GNDC against such claim with counsel of GNDC’s selection and shall reimburse GNDC for any loss, cost or damage which may result from such claim

14.3 SEVERABILITY AND DURATION: If any part of this Lease is unenforceable or invalid, such material shall be read out of this Lease and shall not affect the validity of any other part of this Lease or give rise to any cause of action of Homeowners or GNDC against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law. It is the intention of the parties that their respective options to purchase and all other rights under this Lease shall continue in effect for the full term of this Lease, and shall be considered to be coupled with an interest. In the event any option or right shall be construed to be subject to any rule of law limiting the duration of such option or right, the time period for the exercising of such option or right shall be construed to expire twenty (20) years after the death of the last survivor of the following persons:

 All children born at Seton Hospital in Austin, Texas on the date of this Lease.

14.4 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the Purchase Option set forth in Article 9 herein shall, for any reason, become unenforceable, GNDC shall nevertheless have a right of first refusal to purchase the Home at the highest documented bona fide purchase price offer made to Homeowners. Such right shall be as specified in the Exhibit 3.2 RIGHT OF FIRST REFUSAL. Any sale or transfer contrary to this section 14.4, when applicable, shall be null and void.

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

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

14.6 GNDC’S RIGHT TO PROSECUTE OR DEFEND: GNDC shall have the right, but shall be under no obligation, to prosecute or defend, in its own or the Homeowners’ name, any actions or proceedings appropriate to the protection of its own or Homeowners’ interest in the Leased Land. Whenever requested by GNDC, Homeowners shall give GNDC all reasonable aid in any such action or proceeding.

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

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

14.9 PARTIES BOUND: This Lease and the exhibits attached hereto set forth the entire agreement between GNDC and Homeowners with respect to the leasing of the Land, and are binding upon and inure to the benefit of these parties and, in accordance with the provisions of this Lease, their respective successors in interest.

14.10 AMENDMENTS: This Lease may be altered or amended only by written agreement executed by GNDC and Homeowners or their legal representatives or, in accordance with the provisions of this Lease, their successors in interest. Before becoming effective, any amendment is subject to the written approval of a Permitted Mortgagee, as provided in section 7.6.

14.11 GOVERNING LAW: This Lease shall be interpreted in accordance with and governed by the laws of Texas. 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 GNDC or Homeowners.

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

GNDC:

 Guadalupe Neighborhood Development Corporation (“GNDC”)

 By: Mark C. Rogers, Executive Director

Homeowners:

 Printed Name:

 Printed Name:

**STATE OF TEXAS**

**COUNTY OF TRAVIS**

This instrument was acknowledged before me on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_\_\_\_ by Mark C. Rogers, Executive Director of the Guadalupe Neighborhood Development Corporation, a Texas non-profit corporation, on behalf of the corporation.

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

 Notary Public, State of Texas

**STATE OF TEXAS**

**COUNTY OF TRAVIS**

This instrument was acknowledged before me on \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, 20\_\_\_\_\_\_, by \_\_\_\_ \_ (Homeowners).

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

 Notary Public, State of Texas