

Commercial Training Academy

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Process

Choose City

Private Money

Create Team

Call Chamber of Commerce

Analyze Deals

Offer—fax

Negotiate

Contact Private Money

Sign Offer—Deposit

Engage Attorney

Sign Purchase and Sale—Deposit 1 3%

Receive Financial Due Diligence

Re-trade?

Engage Lender—No Term Sheet Yet

Inspect Property—\$50. per door

Re-trade?

Sign Lender Term Sheet—7– 25K

Lock in Rate? - 1%

Sign Docs—Wire Funds

Commercial Property Types We'll Cover

Retail

Office

Industrial/Warehouse/Storage

Multi-Family/Mobile Homes

Hotels

INCOME

Types of Commercial Leases

Terms—3—99 Years (Not Multi-Family)

Gross Lease—Owner pays all operating expenses (apartments/all bills paid)

Modified Gross Lease—Certain pass-through expenses go to tenant; taxes, maintenance, insurance ...any combo

Single Net Lease – A single net lease is a net lease where the tenant agrees to pay a monthly lump sum base rent as well as the property taxes. The landlord is responsible for all other operating expenses of the premises.

Double Net Lease (NN) – A double net lease is a net lease where the tenant agrees to pay a monthly lump sum base rent as well as the property taxes and the property insurance. The landlord is responsible for all other operating expenses of the premises.

Triple Net Lease (NNN) – A Triple net lease is a net lease where the tenant agrees to pay a monthly lump sum base rent as well as the property taxes, the property insurance, and the maintenance. Under a triple net lease there are a few legal defenses which may relieve a tenant of his responsibilities. For example, a triple net lease may relieve the tenant of his responsibility if the property is subject to an eminent domain proceeding.

Apartments

Per Unit

30 Days—Tenant at Will

One year Lease

Tenant at Sufferance

ARTICLE OF AGREEMENT this ____ day of _____ 200__, by and between

_____, hereinafter referred to as the "LESSOR",

And _____, hereinafter referred to as the "LESSEE".

WHEREAS, the Lessor is the owner of certain premises situated at

_____, Township of _____, County of
Plymouth and Commonwealth of Massachusetts, hereinafter referred to as the
"Leasehold Premises"; and

WHEREAS, the Lessee desires to rent and lease the Leasehold Premises
from the Lessor, and the Lessor has agreed to lease the same to the Lessee
upon the following terms and conditions.

NOW, THEREFORE, the parties hereto, intending to be legally bound
hereby, and in consideration of the rents and covenants of the Lessee to be
paid and kept as herein contained, the Lessor has agreed to lease unto the
Lessee, and by these presents does hereby lease the Leasehold Premises unto
the Lessee, and the Lessee hereby leases the Leasehold Premises from
the Lessor, and the parties do covenant and
agree as follows:

1. Term. This Lease shall be for a term of _____
years and _____ months,

commencing on the ____
day of _____, 200__, and ending on the ____ day of _____, 20__.

2. Rent. Lessee shall pay to Lessor, without demand or deduction, at its offices or such
other places as Lessor may from time to time direct in writing, the minimum monthly rental as
follows:

Lessee shall pay a monthly rental of _____Dollars and 00/100 (\$_____.00)
on the _____day of _____, 200__and a like sum on the _____day
of each month thereafter up to and including the _____day of _____, 200__.

Lessee shall pay a monthly rental of _____Dollars and 00/100 (\$_____.00)
on the _____day of _____, 200__and a like sum on the _____day
of each month thereafter up to and including the _____day of _____, 200__.

Lessee shall pay a monthly rental of _____Dollars and 00/100 (\$_____.00)
on the _____day of _____, 200__and a like sum on the _____day
of each month thereafter up to and including the _____day of _____, 200__.

Lessee shall pay a monthly rental of _____Dollars and 00/100 (\$_____.00)
on the _____day of _____, 200__and a like sum on the _____day
of each month thereafter up to and including the _____day of _____, 200__.

3. Security Deposit. Lessee shall further pay to Lessor, prior to any use or occupancy of the Leasehold Premises, a security deposit in the sum of _____Dollars (\$_____.00), to be held as security for any damages to the Leasehold Premises, or as payment, in whole or part, for any costs or expenses incurred by the Lessor resulting from the failure of Lessee to surrender the premises in the condition described in Paragraph 6 herein. Unless withheld by the Lessor, in whole or in part, by reason of any damage to the Leasehold Premises, the security deposit shall be returned to the Lessee within thirty (30) days after the termination of this Lease, provided the Lessee has delivered to the Lessor a forwarding address, in writing, at or prior to the date the Lessee shall surrender the Leasehold Premises to the Lessor.

4. Utilities. During the term of this Lease, the Lessee shall be solely responsible for the payment of any and all utilities of the Leasehold Premises, including, but not limited to, gas, electric, telephone, cable and any service fees required for the installation of these utilities. The Lessee shall also be solely responsible for the payment of any and all water bills, sewer bills and garbage collection costs concerning the Leasehold Premises.

5. Clean and Sanitary Condition. During the term of the Lease, the Lessee shall keep and maintain the Leasehold Premises and the surrounding area in a clean and sanitary condition at all times, free of all garbage and debris. All garbage and similar debris shall be deposited by the Lessee in facilities specifically for garbage collection. Lessee shall be responsible for placing the garbage bags and/or containers and recycling container(s) at the curb for pick-up and to return the containers to their appropriate place. Lessees shall further comply with all local ordinances and regulations imposed by the City of Plymouth relating to maintaining the Leasehold Premises in a clean and sanitary condition and relating to the collection of garbage and similar debris. Lessee shall be solely liable for any action and/or fines that may be brought by the City of Plymouth, or any other enforcement agency, as a result of the Leasehold Premises not being kept in a clean and sanitary condition.

6. Maintenance. It shall be the Lessee's sole responsibility to keep and maintain the entire Leasehold Premises, and every part thereof, in good condition and repair at all times during the term of the Lease. Lessee shall keep and maintain the Leasehold Premises in a clean, sanitary and safe condition, at all times during the term of the Lease, in accordance with the laws of the Commonwealth of Massachusetts and in accordance with all directions, rules and regulations of the health officer, fire marshal, building inspector, or other proper officials of the governmental agencies having jurisdiction, at the sole cost and expense of Lessee, and Lessee shall comply with all requirements of law, ordinance and otherwise, affecting said premises. If Lessee refuses or neglects to commence and to complete repairs promptly and adequately, Lessor may, but shall not be required to do so, make and complete said repairs, and Lessee shall pay the cost thereof to Lessor upon demand. At the time of the expiration of the tenancy herein, Lessee shall surrender the premises in good condition, reasonable wear and tear excepted.

7. Liability Insurance. Lessee shall, during the entire term of this Lease, keep in full force and effect a policy of public liability and property damage insurance with respect to the Leasehold Premises, in which the limits of public liability shall not be less than Five Hundred Thousand Dollars (\$500,000.00) for injury or death to one person in one accident, One Million Dollars (\$1,000,000.00) for injury or death per occurrence and Five Hundred Thousand Dollars (\$500,000.00) for property damage per occurrence. The policy shall name Lessor, any other parties in interest designated by Lessor, and Lessee as insured, and shall contain a clause that the

insurer will not cancel or change the insurance without first giving Lessor thirty (30) days prior written notice. The insurance shall be with an insurance company approved by Lessor, and a copy of the paid-up policy evidencing such insurance or a certificate of the insurer certifying the insurance of such policy shall be delivered to Lessor prior to commencement of Lessee's Work and upon renewals not less than thirty (30) days prior to the expiration of such coverage.

8. Personal Property Insurance. Lessee agrees to carry, at its sole expense, insurance against all risks of physical loss, insuring Lessee's fixtures, furnishings, equipment and all other items of personal property of Lessee located on or within the Leasehold Premises, in an amount equal to not less than one hundred percent (100%) of the actual replacement cost thereof and to furnish Lessor with a certificate evidencing such coverage.

9. Off-Set Statement. Lessee agrees within ten (10) days after request therefore by Lessor to execute in recordable form and deliver to Lessor a statement, in writing, certifying (a) that this Lease is in full force and effect, (b) the date of commencement of the term of this Lease, (c) that rent is paid currently without any offset or defense thereto, (d) the amount of rent, if any, paid in advance, (e) whether the Lease has been modified and, if so, identifying the modifications, and (f) that there be no uncured defaults by Lessor or stating those claimed by Lessee, provided, that in fact such facts are accurate and ascertainable.

10. Attornment. In the event any proceedings are brought for the foreclosure of, or in the event of the conveyance by deed in lieu of foreclosure of, or in the event of exercise of the power of sale under any mortgage made by Lessor covering the Leasehold Premises, Lessee hereby attorns to, and covenants and agrees to execute an instrument in writing reasonably satisfactory to the new owner whereby Lessee attorns to such successor in interest and recognizes such successor as the Lessor under this Lease.

11. Subordination. Lessee agrees that this Lease shall, at the request of the Lessor, be subordinate to any mortgages or deeds of trust that may hereafter be placed upon said premises and to any and all advances to be made thereunder, and to the interest thereon, and all renewals, replacements and extensions thereof, provided the mortgagee or trustee named in said mortgages or trust deeds shall agree to recognize the Lease of Lessee in the event of foreclosure if Lessee

is not in default. Lessee also agrees that any mortgagee or trustee may elect to have this Lease a prior lien to its mortgage or deed of trust, and in the event of such election, and upon notification by such mortgagee or trustee to Lessee to that effect, this Lease shall be deemed prior in lien to the said mortgage or deed of trust, whether this Lease is dated prior to or subsequent to the date of said mortgage or deed of trust. Lessee agrees that upon the request of Lessor, any mortgagee or any trustee, it shall execute whatever instruments may be required to carry out the intent of this Section.

12. Assignment and Subletting. Lessee agrees not to assign or in any manner transfer this Lease or any estate or interest therein by operation of law or otherwise without prior written consent of Lessor, and not to sublet the leased premises or any part(s) thereof or allow anyone to come in with, through or under it without like consent.

Consent by Lessor to one or more assignments of this Lease or to one or more sub lettings of the leased premises or the collection of rent by Lessor from any assignee or sub-lessee shall not operate to exhaust Lessor's rights under this Article. In the event that Lessee, with or without the previous consent of Lessor, does assign or in any manner transfer this Lease or any estate or interest therein, Lessee shall in no way be released from any of its obligations under this Lease.

13. Waste or Nuisance. Lessee shall not commit or suffer to be committed any waste upon the Leasehold Premises, and Lessee shall not place a load upon any floor of the Leasehold premises that exceeds the floor load per square foot area which such floor is designed to carry. Lessee shall not use or permit the use of any medium that might constitute a nuisance.

14. Reconstruction of Damaged Premises. In the event the Leasehold Premises shall be partially or totally destroyed by fire or other casualty as to become partially or totally unLesseeable, then the damage to the Leasehold Premises shall be promptly repaid, unless Lessor shall elect not to rebuild as hereinafter provided, and the fixed minimum rental and other charges shall be abated in proportion to the amount of the Leasehold Premises rendered unLesseeable. In no event shall Lessor be required to repair or replace Lessee's trade fixtures, furnishings or personal property. If more than Twenty-five percent (25%) of the leased premises or of floor area of the building in which the leased premises are located shall be damaged or destroyed by fire or other casualty, then Lessor may either elect that the Leasehold Premises be

repaired or rebuilt or, at its sole option, terminate this Lease by giving written notice to Lessee of its election to so terminate, such notice to be given within ninety (90) days after the occurrence of such damage or destruction.

15. Total Condemnation of Leased Premises. If the whole of the Leasehold Premises shall be taken by any public authority under the power of eminent domain, then the term of this Lease shall cease as of the day possession shall be taken by such public authority and the rent shall be paid up to that day with a proportionate refund by Lessor of such rent as may have been paid in advance for a period subsequent to the day of the taking.

16. Partial Condemnation. If less than the whole but more than Twenty-five percent (25%) of the Leasehold Premises shall be taken under eminent domain, Lessor shall have the right either to terminate this Lease and declare the same null and void, or to restore the remaining portion of the leased premises or the building to a complete architectural unit. In the event Lessor elects to restore, all of the terms herein provided shall continue in effect, except the fixed annual rental shall be reduced in proportion to the amount of the leased premise taken.

If Twenty-five percent (25%) or less of the Leasehold Premises shall be so taken, the lease term shall cease only as to the part so taken as of the day possession shall be taken by such public authority, and Lessee shall pay rent up to that date, with appropriate refund by Lessor of such rent as may have been paid in advance for a period subsequent to the date of the taking, and thereafter the fixed minimum annual rental shall be reduced in proportion to the amount of the leased premises taken. In such event, or in the event that Twenty-five percent (25%) or less of the Leasehold Premises shall be taken, Lessor shall, at its expense, make all necessary repairs or alterations to the basic building, originally installed by Lessor, so as to constitute the remaining leased premises a complete architectural unit.

17. Lessor's and Lessee's Damages. All damages awarded for such taking under the power of eminent domain, whether for the whole or a part of the leased premises, shall belong to and be the property of Lessor whether such damages shall be awarded as compensation for diminution in value to the leasehold or the fee of the premises, and Lessee shall have no claim against either Lessor or the condemning authority with respect thereto; provided, however, that Lessor shall

not be entitled to the ward made for depreciation to, and cost of removal of Lessee's stock and fixtures.

18. Default. All rights and remedies of Landlord herein enumerated shall be cumulative and none shall exclude any other rights or remedies allowed by law. Tenant covenants and agrees that if:

1. Lessee shall fail, neglect or refuse to pay any installment of all rent at the time and in the amount as herein provided, or to pay any other monies agreed by it to be paid promptly when and as the same shall become due and payable under the terms hereof, and if any such default should continue for a period of more that Ten (10) days;

2. Lessee shall abandon or vacate the Leasehold Premises or fail to keep the Leased Premises continuously and uninterruptedly open for business each business day or shall fail, neglect or refuse to keep and perform any of the other covenants, conditions, stipulations or agreements herein contained and covenanted and agreed to be kept and performed by it, and in the event any such default shall continue for a period of more than Ten (10) days after notice thereof given in writing to Lessee by Lessor provided however that if the cause for giving such notice involves the making of repairs or other matters reasonable requiring a longer period of time than the period of such notice. Lessee shall be deemed to have complied with such notice so long as it has commenced to comply with said notice within the period set forth in the notice and is diligently prosecuting compliance of said notice or has taken proper steps or proceeding under the circumstances to prevent the seizure, destruction, alteration or other interference with said Leased Premises by reason of Non-Compliance with the requirements of any law or ordinance or with the rules, regulations, or directions of any Governmental Authority as the case may be; Then the Lessee does hereby authorize and fully empower said Lessor or Lessor's agent to cancel or annul this Lease at once and to re-enter and take possession of said Premises immediately, and by force if necessary, without any previous Notice Of Intention to re-enter and remove all Persons and their Property therefrom, and to use such force and assists in effecting and perfecting such removal of said Lessee as may be necessary and advisable to recover at once First and Exclusive Possession of all said Leased Premises whether in possession of said Lessee or of Third Persons or otherwise, without being deemed Guilty of any manner of Trespass and

without Prejudice to any remedies which might otherwise be used by Lessor, in which event this Lease shall Terminate and Lessee shall indemnify the Lessor against all unavoidable loss of rent which Lessor may incur by reason of such Termination during the Residue of the Term herein specified.

The Lessor may, however, at its option, at any time after such Default or Violation of Condition or Covenant, re-enter and take possession of said premises without such re-entry working a Forfeiture of the rents to be paid and the Covenants, Agreements, and Conditions to be kept and performed by Lessee for the full term of this Lease. In such event Lessor shall have the Right, but not the Obligation, to divide or subdivide the Leasehold Premises in any manner Lessor may determine and to Lease or Let the same or portions hereof for such period of time and at such Rentals and for such use and upon such Covenants and Conditions as Lessor may elect, applying the Net Rentals from such Letting first to the Payment of Lessor's expenses incurred in dispossessing Lessee and the cost and expense of making such improvements in the Leasehold Premises as may be necessary in order to enable Lessor to re-let the same, and to the payment of brokerage commissions or other necessary expenses or Lessor in connection with such re-letting. The balance, if any, shall be applied by Lessor from time to time on account of the payments due or payable by lessee hereunder, with the right reserved to Lessor to bring such action or proceedings for the recovery of any deficits remaining unpaid as Lessor may deem favorable from time to time, without being obligated to await the end of the term hereof for the final determination of Lessee's account. Any balance remaining however, after full payment and liquidation of Lessor's account as aforesaid shall be paid to Lessee with the right reserved to Lessor at any time to give notice in writing to Lessee of Lessor's election to cancel and terminate this Lease and upon giving of such notice and the simultaneous payments by Lessor to Lessee of any credit balance in Lessee's favor that may at the time be owing to Lessee shall constitute a final and effective cancellation and termination of this Lease and the obligations hereunder on the part of either party to the other.

Lessor may, at its option, while such Default or Violation of Covenant or Condition continues, and after Ten (10) days notice of its intention so to do, declare all the rent reserved for the full term of this Lease remaining unpaid due and payable at once; and Lessee does hereby empower any Attorney of any court of record in the State of Massachusetts or elsewhere to appear for it an

Waive the issuance and service of process and confess judgment against it for the whole or any part of said rent and thereafter to release all errors and warrant all rights of appeal and stay of execution. The initial exercise or use of this Warrant of Attorney shall not exhaust the same, but the same may be used and exercised without limitation as often as necessary for the use of the same arise. The exercise or use of this Warrant of Attorney shall not prevent Lessor from subsequently terminating this Lease, but giving notice to Lessee of its election so to do and upon its tender to Lessee of a sum equal to the amount, if any, paid by the Lessee for rents accruing after the date of such Termination.

In addition to the other Rights granted to the Lessor hereunder, Lessor may, at its option, while such Default or Violations of Covenants or Condition continue(s), and after Ten (10) days notice of its intentions to do so, confess judgment for possession of the Leased Premise and Lessee does hereby employ any Attorney of any court to record in the Commonwealth of Massachusetts or elsewhere to appear for it and waive the issuance and service of Process and confess a judgment in Ejectment.

Also, in addition to the other Rights granted to Lessor under this Lease, Lessee agrees that in the event that the amounts due Lessor under this Lease are collected by law or through an Attorney at Law, and judgment is entered in favor of Lessor against Lessee, whether by confession or otherwise, the Lessee agrees to pay all costs of collection, including Attorney's Fees in the amount of Ten Percent (120%) of the judgment or Five Hundred Dollars (\$500.00), whichever is greater.

19. Right of Entry. Lessor or Lessor's agent shall have the right to enter the Leasehold Premises at all reasonable times to examine the same, and to make such repairs, alterations, improvements or additions as Lessor may deem necessary or desirable, and Lessor shall be allowed to take all material into and upon said premises that may be required therefore without the same constituting an eviction of Lessee in whole or in part, and the rent reserved shall in now wise abate while said repairs, alterations, improvements or additions are being made, by reason of loss or interruption of business of Lessee, or otherwise.

20. Loss and Damage to Lessee's Property. The Lessor shall not be responsible or liable to the Lessee for any loss or damage that may be occasioned by or through the acts or omissions of persons occupying adjoining premises or any part of the premises adjacent to the Leasehold Premises or any part, or for any loss or damages resulting to the Lessee or its property from bursting, stoppage or leaking of water, gas, sewer or steam pipes or for any damage or loss of property within the Leasehold Premises from any cause whatsoever.

21. Notice by Lessee. Lessee shall give immediate notice to Lessor in case of fire or accidents in the leased premises or in the building of which the premises are a part or of defects therein or in any fixtures or equipment.

22. Holding Over. Any holding over after the expiration of the term hereof with the consent of the Lessor, shall be construed to be a tenancy from month to month (at twice the monthly minimum rental herein specified).

23. Successors. All rights and liabilities herein given to, or imposed upon, the respective parties hereto shall extend to and bind the several respective heirs, executors, administrators, successors, and assigns of the said parties; and if there shall be more than one Lessee, they shall be bound jointly and severally by the terms, covenants and agreements herein. No rights, however, shall inure to the benefit of any assignee of Lessee unless the assignment to such assignee has been approved by Lessor in writing as provided in Paragraph 12 herein.

24. Lessor's Covenant. Upon payment by the Lessee of the rents herein provided, and upon the observance and performance of all the covenants, terms and conditions on Lessee's part to be observed and performed, Lessee shall peacefully and quietly hold and enjoy the leased premises for the term hereby demised without hindrance or interruption by Lessor or any other person or persons lawfully or equitably claiming by, through or under the Lessor, subject nevertheless to the terms and conditions of this Lease, and any mortgages to which this Lease is subordinate.

25. An option to purchase ("Option") is granted on the Leasehold Premises by _____, the "Seller," to _____, the "Buyer." Seller, intending to bind Seller, Seller's heirs, successors and assigns, in consideration of the sum of _____ Dollars (\$ _____) (the "Option Money")

paid to Seller by Buyer, receipt of which is acknowledged, grants to the Buyer, Buyer's heirs, successors, assigns or representatives, the exclusive right and option to purchase all of that certain parcel of land, together with all improvements located thereon (collectively, the "Property"), in the Township of _____, County of Plymouth, Commonwealth of Massachusetts, and more particularly described as follows:

Street Address: _____

Legal Description: _____ On the

terms and conditions set forth below:

A. Option Period: This Option shall exist and continue from the date hereof until

_____ o'clock ____ M. on _____

("Option Period"). TIME IS OF THE ESSENCE WITH RESPECT TO THE OPTION PERIOD AND EXERCISE.

B. Exercise: At any time during the Option Period, Buyer may exercise this Option by giving Seller a written notice thereof signed by the Buyer, which exercise is effective upon (a) hand delivery, (b) completed facsimile transmission, or (c) prepaid deposit of the notice with an overnight commercial delivery service or in certified mail, return receipt requested, at the following address of the Seller:

Phone: _____ Fax: _____

C. Contract Upon Exercise: Upon exercise of this Option, the terms of purchase and sale shall be as set forth on the completed standard "Agreement to Purchase Real Estate," which is attached as Exhibit "A" and incorporated herein by reference.

D. Application of Option Money: If this Option is exercised, the Option Money shall

_____ shall not _____ be applied to the purchase price at Closing. If this Option is not exercised, the Option Money shall be retained by Seller.

26. Waiver. One or more waivers of any covenant or condition by Lessor shall not be construed as a waiver of a subsequent breach of the same covenant or condition, and the consent or approval by Lessor to or of any act by Lessee requiring Lessor's consent or approval shall not be deemed to render unnecessary Lessor's consent or approval to or of any subsequent similar act by Lessee. No breach of a covenant or condition of this Lease shall be deemed to have been waived by Lessor, unless such waiver is in writing and signed by Lessor.

27. Notices. Any notice, demand, request or other instrument which may be or is required to be given under this Lease shall be sent by United States certified mail, return receipt requested, postage prepaid and shall be addressed (a) if to Lessor, at the address first above stated, or at such other address as Lessor shall designate by written notice, (b) if to Lessee, to the leased premises or at such other address as Lessee shall designate by written notice, and shall be effective upon deposit with the U.S. Postal Department.

28. Captions and Section Numbers. The captions, section numbers, and article numbers, appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such sections of this Lease nor in any way affect this Lease.

29. Recording. Lessee shall not record this Lease without the written consent of Lessor; however, upon the request of either party hereto, the other party shall join in the execution of a memorandum or so-called "short form" of this Lease for the purpose of recordation. Said memorandum or short form of this Lease shall describe the parties, the Leasehold Premises, the term of this Lease, and special provisions, and shall incorporate this Lease by reference.

30. Transfer of Lessor's Interest. In the event of any transfer or transfers of Lessor's interest in the Leasehold Premises, the transferor shall be automatically relieved of any and, all obligations on the part of Lessor accruing from and after the date of such transfer, including, but not limited to, any obligation to Lessee with respect to the security deposit referred to in Paragraph 3 of this Lease upon assignment of the same to the transferee, provided that the

interest of the transferor, as Lessor, in any funds then in the hands of Lessor in which Lessee has an interest shall be turned over, subject to such interest, to the ten transferee. No holder of a mortgage to which this Lease is or may be subordinate shall be responsible in connection with the security deposited hereunder, unless such mortgagee or hold of such deed of trust shall have actually received the security deposited hereunder.

31. Accord and Satisfaction. No payment by Lessee or receipt by Lessor of a lessor amount than the monthly rent herein stipulated shall be deemed to be other than on account of the earliest stipulated rent, nor shall any endorsement or statement of any check or any letter accompanying any check or any payment as rent be deemed an accord and satisfaction, and Lessor shall accept such check or payment without prejudice to Lessor's right to cover the balance of such rent or pursue any other remedy in this Lease provided.

32. Laws of the Commonwealth of Massachusetts. This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts. If any provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease shall not be affected thereby and each provision of the Lease shall be valid and enforceable to the fullest extent permitted by law.

33. Entire Agreement. This Lease and the exhibits, if any, attached hereto and forming a part thereof, set forth all the covenants, promises, agreements, conditions and understandings between Lessor and Lessee concerning the leased premises and their are not covenants, promises, agreements, conditions or understandings, either oral or written, between them other than herein set forth. No alterations, amendment, change or addition to this Lease shall be binding upon Lessor or Lessee unless reduced to writing and signed by each party.

34. New Taxes. Should any governmental taxing authority acting under any present or future law, ordinance or regulation, levy, assess or impose a tax, excise, assessment and/or any business and/or occupation taxes (other than income or franchise tax) upon or against the rentals payable by Lessee to Lessor, either by way of substitution or in addition to any existing tax on land and buildings or otherwise, Lessee shall be responsible for and shall pay such tax, excise, assessment, and any business and occupation taxes levied directly against the Lessee, or shall reimburse

Lessor for the amount thereof, as the case may be, as additional rent, on or before the date that any fine, penalty or interest would be added thereto for non-payment. Lessee shall also pay its pro-rata share of any tax or charge levied in lieu of Real Estate taxes.

35. Heirs and Successors. This agreement shall be binding on and shall inure to the benefit of the parties hereto, their respective heirs, successors, personal representatives and assigns.

36. Counterparts. This Lease may be signed in one _____ or more counterparts, and all such counterparts shall form but one integrated agreement. This Lease may be executed by facsimile signatures.

WITNESS:

LESSOR:

WITNESS:

LESSEE:

1. What is a Triple Net Lease Acquisition

- x Basic Definition a net lease where a building tenant agrees to pay a monthly lump sum rent as well as the property taxes, property insurance and maintenance cost.
- x Triple-net-lease properties are generating annual returns of as much as 12% these days,. Individual investors and small groups of partners generally invest \$300,000 to \$5 million per building. Some publicly traded real-estate investment trusts concentrate on triple-net-lease properties, too.
- x NNN's are typically purchased on a cap rate. A cap rate is essentially a yield which is determined by dividing the tenant's annual rent by the purchase price. For example, if Walgreens is paying \$350,000 annually and the purchase price is \$4,375,000, the cap rate is 8% ($\$350,000/\$4,375,000$).
- x A NNN Property can either be a single or multi tenant investment like a shopping center, office building or a free standing building.
- x A NNN Leased investment gives you total (fee-simple) ownership of a commercial property, which is pre-leased to a high credit retail tenant – (Walgreens, CVS, McDonald's, Lowe's, Dunkin Donuts, etc.) – on a long-term basis (usually between 10-25 years), providing you with a stable, long-term cash flow.
- x NNN leased property can be an excellent replacement property in completing a 1031 real estate exchange transaction.
- x The price range for a Single Tenant NNN lease property is generally between \$1 million - \$10 million. The fast food restaurants and auto stores and are the most affordable, while drugstores are on the higher end. Big box retailers such as Home Depot, Lowe's, and Publix can bring from \$15 million to \$25 million.

Example:

Walgreens is your tenant for a guaranteed 25-year period. The tenant is responsible for all costs to operate and maintain the property, this is sometimes referred to as an "absolute" Triple-Net lease because the only management required is paying the mortgage (if there is one) and receiving the rent checks. Triple-Net lease ownership is great for first-time real estate investors as well as for long time investors seeking purchase or trade into less complicated real estate investments. In many cases, when the lease expires, you will own the property free and clear.

2. Understanding the Various Types of Net Lease Investments

- x A GROSS LEASE, the lessee pays rent while the landlord takes care of everything else.

Most people who rent their homes are familiar with the terms of a gross lease, as this type of lease is commonly used for residential properties.

- x A **DOUBLE NET LEASE**, the landlord assumes some of the costs of property upkeep.

At the extreme, there are circumstances where the tenant could be driven to measures such as willful damage to the property, with the hope of collecting money via an insurance claim. If such an insurance claim was denied, and the tenant went **bankrupt**, then the landlord would be responsible for all payments necessary to restore the property.

One variation on the triple net lease is called the bondable lease. In this arrangement, the tenant carries casualty insurance in addition to property insurance.

Other advantages

- x **You can defer capital gains taxes through a 1031 tax-deferred exchange.**
- x **Triple-net leases are either 100 percent management-free or require very little involvement from the landlord.**
- x **Triple-Net lease property has high residual value and is a liquid investment.**
- x **You can get non-recourse, fixed financing for 10 years with Triple-Net lease properties.**
- x **There are no vacancy factors, tenant improvement costs, management fees, or leasing fees.**
- x **Location! Location! Location! Properties are typically in prime retail areas with high traffic counts and great demographics.**
- x **You don't have to worry about tenant turnover. Your tenants sign leases of 10 to 25 years.**

4. Assessing the Risk

After finding a potential property, obtain a copy of the lease and analyze it first. Otherwise you can waste time and money on market studies, inspections, and contract negotiations only to find during due diligence that one paragraph in the lease knocks the property out of consideration.

The Leases are complicated documents that must be properly read and understood from the outset. Ignore this step and you'll wind up with a Lease comprised of unexpected expenses, cancellation clauses, and/ or default penalties that have no teeth. They need to be reviewed by brokers, attorneys and other experts.

You need a good tenant," "Then you need an optimal location and to know what the market rent is. That is absolutely key."

Important factors that determine a triple net deal's riskiness:

1. the creditworthiness of the tenant,
2. the location, physical condition and functionality of the property,
3. The remaining term on a lease (shorter is riskier). Also important: the "occupancy cost" or "health ratio," defined as the percentage that the tenant pays in rent relative to store sales. (The lower the ratio, the better.)
4. The risk of picking a tenant whose product or service might fall out of favor. Changing consumer trends can wipe out cash cows, as happened with some video-rental stores during the last decade.
5. Tenants not be able to pay fees, or may allow the building to fall into disrepair.
6. Tenant may deliberately damage a building to collect insurance money. For this reason, some triple net leases include a reserve fund. The tenant makes regular payments into the reserve fund, which can be used to cover essential repairs in the event of emergency.

Risk 1 Credit Worthiness

The credit worthiness of the tenant is of utmost concern and serves as a vital measure of the risk involved. The risk is reflected in the company's credit rating. A tremendous amount of information is available to assist in evaluating the current and future financial strength of a tenant.

For Public companies use credit rating agencies such as Standard and Poor's, Moody's, etc. the credit rating is fairly easy to determine through a number of sources, including sites available on the Internet such as <http://www.companysleuth.com/>, <http://www.zacks.com/>, and <http://www.freedgar.com/>. There is some standardization for rating tenants, which comes primarily from credit rating agencies such as Standard & Poor's (S&P), Moody's Investor Service, Fitch Ratings, etc. These agencies each have their own alphanumeric system to report how a particular

company is performing from a credit perspective. S&P, for instance, has ratings that begin at AAA as the best possible credit and incrementally go down to D.

- X In today's lending environment, net lease tenants with an S&P credit rating of BBB or greater have a better chance of getting a lender's attention because they are seen to be less risky. Tenants with credit ratings less than BBB are perceived to be more likely to default over the term of the lease.

X * In fact, a Moody's study quantified this phenomenon, stating that companies with a BBB credit rating have a 4 percent chance of defaulting on their lease within any five year period. Conversely, a company that has rating of B has a 43 percent chance of defaulting on its lease within the same period. As a matter of comparison, companies with AAA ratings have a 0.15 percent chance of defaulting. It is pretty clear why lenders focus their underwriting on the potential tenants credit.

Key Points:

AAA Ğ An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. **AA**

Ğ An obligation rated 'AA' differs from the highest rated obligations only to a small degree.

The obligor's capacity to meet its financial commitment on the obligation is very strong.

A Ğ An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB Ğ An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB, B, CCC, CC, and C Ğ Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.*₁

For private companies, you will need financial statements .

5. List of Potential Tenants

Here are some of the Retail Single Tenants that may be available as a Net Lease Investment or Triple Net Lease Property: Triple net lease properties are probably some of the most commonly noticed commercial real estate in the market. Most of the assets are drugstores, bank branches, restaurants, home improvement centers and the like.

These are core assets that have daily users and requirements.

1. 24 Hour Fitness Net Lease Properties
2. 7-Eleven Net Lease Properties
3. Advance Auto Net Lease Properties
4. Ahold Net Lease Properties
5. Applebees Net Lease Properties
6. Arbys Net Lease Properties
7. AutoZone Net Lease Properties
8. Burger King Net Lease Properties
9. Chick-fil-a Net Lease Properties
10. Costco Net Lease Properties
11. CVS Net Lease Properties
12. Delhaize Net Lease Properties
13. Dollar General Net Lease Properties
14. Dollar Tree Net Lease Properties

15. Dunkin Donuts Net Lease Properties
16. FedEx Net Lease Properties
17. GoodYear Net Lease Properties
18. Home Depot Net Lease Properties
19. KFC Net Lease Properties
20. Kohl's Net Lease Properties
21. Kroger Net Lease Properties
22. Lowe's Net Lease Properties
23. McDonald's Net Lease Properties
24. O'reillys Net Lease Properties
25. **Panera Bread Net Lease Properties**
26. Pep Boys Net Lease Properties
27. **Publix Net Lease Properties**
28. Rite Aid Net Lease Properties
29. Safeway Net Lease Properties
30. Shell Oil Net Lease Properties
31. Staples Net Lease Properties
32. Steak-n-Shake Net Lease Properties
33. Taco Bell Net Lease Properties
34. Target Net Lease Properties
35. Verizon Net Lease Properties
36. Walgreen's Net Lease Properties
37. WalMart Net Lease Properties
38. Wendy's Net Lease Properties

6. The Due Diligence

- x **Tenant Profiling** There must be a good fit between the tenant and the Building. IE putting a pharmacy in a building originally built for industrial purposes and located away from the general public would be a fatal mistake. A tenant should be able to reach their maximum potential within the building
- x **Financial history of tenant**
- x **Financial statements, preferably audited**

- x Tax returns for the tenant, both the business return and the personal return for the operator.

- x Sales history for the location

When reviewing the documents

- x You'd want to see an upward trend in all of the numbers
- x Make sure the Sales of the Store matchup with the Income reported.
- x Verify that the Business model actually works for the location.
- x Go online and see how the firm's stock is doing.
- x Get detailed reports about the company from annalist all over the world.
- x One measure of success for a restaurant is the ratio between rent and sales = 8% I sales are 1 million then the triple net rent = \$80,000
- x Demographic analysis (employment density, traffic counts, ect)
- x 1, 3 and 5 mile radius around the location, current and rate of change the past 5 years, a 5 year projection, male/female ratio, household count, 5 year projection of households, Ave household size,
- x Local economic studies reports, Housing, owner occupied, medium home value, medium household income, Total Business and Total Employees with 1 mile, 3 mile, 5 mile, Unemployment
- x Municipal tax assessment research
- x Comparable property information
- x Audit of Operating expenses (including taxes, betterments, ect)

Tenant Profiling

Highest & Best Use

4 criteria

1. Legally allowable - Zoning by local, state and federal. Is existing tenant "grandfathered in" ?
2. Physically possible

3. Financially feasible

4. Maximally Productive

The Field Report the Heart & Sole of the due diligence

- x **History of City**
- x **Retail Development**
- x **Competition**
- x **Stability**
- x **Growth**
- x **Barriers to entry**
- x **Field Reports Exterior and Interior Inspection**
- x **Aerial Maps of Surrounding Retail**
- x **Surrounding Road and Retail Subject property on a US Route, State Route, approx distance to closest interstate, is it located on a hard corner, How many lanes is the road at primary street >Turning restrictions.**

7. How to Calculate If The Existing NNN Lease is Good

Step 1

Obtain the negotiated monthly rent amount from your commercial property lease. Ask the property owner for any records of taxes, utilities, and repairs so that you can estimate your actual monthly costs of renting or leasing a particular property.

Step 2

Get an insurance quote that contains at least the minimum requirements for property insurance coverage outlined in the lease agreement. The insurance company usually presents the quote in an annual amount. Divide the quoted amount by 12 to find the estimated monthly cost.

Step 3

Estimate the current-year property tax liability. Unless your area has experienced a significant recent shift in real estate values, you can use the prior year's tax bill to estimate property tax costs. Divide the estimated property tax cost by 12 to get the monthly amount.

Step 4

Ask the property owner to provide you with a list of maintenance costs for the prior two years so that you can estimate the costs going forward. Remember to adjust the cost for capital improvements that you will not need to replace for years, such as roofs or fencing. Determine a reasonable monthly amount for property maintenance based on the pricing from your stable of contractors.

Step 5

Add the monthly rent, property insurance, real estate tax and maintenance estimates to obtain an estimated monthly cost for the lease.

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x Demographic analysis (employment density, traffic counts, ect)

x 1, 3 and 5 mile radius around the location, current and rate of change the past 5 years, a 5 year projection, male/female ratio, household count, 5 year projection of households, Ave household size

x Local economic studies reports, Housing, owner occupied, medium home

value, medium household income, Total Business and Total Employees

with 1 mile, 3 mile, 5 mile, Unemployment

x Municipal tax assessment research

x Comparable property information

x Audit of Operating expenses (including taxes, betterments, ect)

Tenant Profiling

Highest & Best Use

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8. Triple Net Sellers Triple-net-leased property sellers fall into three categories: investor/owners of leased properties; owner/users creating sale/leasebacks; and build-to-suit developers.

Investor/Owner.

- x The lease may be a true triple net but with a short remaining primary lease term, requiring either re-leasing or a series of short-term options. Investors can evaluate base rent and expense payment history and may have access to historical sales volumes to assist in determining the likelihood of future income.

Owner/User. Ie Sale/Leasebacks A Real estate sale leaseback is when a business sells its commercial property for current market value and then instantly leases it back. They sell it to gain built up equity which frees up capital which can be used to invest back into the business. There are many other benefits to this transaction as well.

The sale/leaseback provides a number of advantages to both seller and buyer.

- x The seller frees up capital, often 100 percent of the equity in the real estate, to expand or enhance the business.
- x Sellers and buyers also benefit by being able to customize a transaction, negotiating sale and lease terms that reflect unique landlord and tenant needs. Investors, for example, may agree to a higher purchase price in exchange for stipulated rent increases, rather than taking the risk of cost-of-living increases. They may trade a short initial term for a series of 10-year rather than five-year options.
- x One potential negative is the possibility that the seller over improved the physical plant to enhance the company's image and expects the buyer to cover over market amenities.
- x Real estate sale leaseback transactions are becoming more popular because they generate capital for immediate use for the Seller's business.. Some businesses do sale and leaseback transactions for equipment as well.

Developer.

- x The developer's first objective is to build. With a lease in hand, the developer can get construction financing and create the product.
- x The second objective is to sell at a profit, so it is necessary to build a return into the transaction. However, the developer's costs may be relatively low because of economies of scale in creating a large amount of product. One of the benefits is that the lease is already drawn, and a meticulous analysis of the terms virtually can eliminate the chance of contractual surprises during your client's ownership.

The main potential downside is that there is no performance history for the site. Second, even experienced developers sometimes give in to a strong tenant's demands, even though the terms may be detrimental to the property's investment value.

9. Underwriting and Lenders

1. credit worthiness of the tenant
2. lease terms/structure
3. real estate fundamentals

Lenders are again scrutinizing deals on all three.

- x Tenant credit remains a key component to the value of a net lease property. Lenders are unwilling to loan on deals where the credit of the tenant is weak.
- x investors and lenders are also demanding primary market properties where they see less risk than smaller markets. This is not to say that secondary markets are without a future, but secondary and tertiary markets may experience a lull in investor activity largely driven by a lack of available debt, which ultimately drives a commensurate pricing delta.
- x Today's market requires less risk and prefers 15-20 year terms with built-in escalations of a minimum of 1.5%-2% annually or the equivalent thereof.
- x Initial rents are also closer to market rents as opposed to inflated rates evidenced in the recent past.
- x Investors and lenders are also seeking to restrict other lease provisions that favored the tenant thereby limiting their risk such as the removal of cancellations clauses or "outs," first rights of refusal and shifting the responsibility of operating and capital expenses to the tenant.
- x Options including shorter lease terms, property substitutions, buybacks, and assigning responsibility for maintaining physical improvements are becoming a thing of the past and leases in general are more landlord centric with tighter terms.

Like in any underwriting process, lenders consider the real estate's value first. With net lease investments, however, the current tenant's credit also is weighed heavily.

Because tenants occupying single tenant buildings typically sign long leases sometimes for as many as 25 years or more lenders want to know who is actually paying the rent to support the property for that long. Therefore, the underwriting of the tenant's credit becomes a key factor for lenders considering net leased assets.

Lenders, therefore, dictate rates and terms based not only on the tenant's credit, but also on subjective factors that move markets in different directions at different times. Mortgage brokers should be cognizant of these trends and have their arsenal of lending sources available for their clients as market indicators change.

Financing

- x Mortgage Brokers who stay on top of these kinds of trends in their markets and leverage their relationships with lenders can help clients find the best rates and terms at any particular moment.**
- x 51 percent of single tenant acquisition transactions completed to date in 2010 came from a traditional bank.**
- x 40 percent came from a national bank**
- x 11 percent was from a regional or local bank**
- x 30 percent of the transactions completed this past year used existing financing that was assumed by a new buyer.**
- x Supply and demand dictates the rate and terms of a particular tenanted occupied building.**
- x Lenders, therefore, dictate rates and terms based not only on the tenant's credit, but also on subjective factors that move markets in different directions at different**

Analysis Basics

Gross Income:

Gross Potential Rents—If the property was 100% occupied at market rents

Gross Scheduled Rents (SF/Unit, Per month) - Rents scheduled to come in for the month based on existing leases

Loss to Lease—Difference between market rent and the rent you are getting for your units.

Physical Occupancy—number of occupied units

Economic Occupancy— number of occupied units pay you rent

Vacancy—empty unit

Reimbursement Income—income from bill backs such as water, electric, gas...

Other Income—any other income coming into the property. When analyzing, we only use other income that has a revenue stream of multiple years

Other Income

Retail

- Kiosks**
- Valet Service**
- Vending**
- Parking**
- Partnerships**
- % Of Rents**
- Billboards**

Office

- Vending**
- Restaurant**
- Parking**

Storage

- Vending**
- Mail**
- Boxes, Packing Supplies**
- LP Gas**
- Wine Storage**
- Office**
- Ebay**
- ...more**

Multi-Family

- Vending**
- Parking**
- Laundry**
- Cell Towers**
- Maid Service**
- Storage**
- Day Room**
- Late Fees**

Analysis Basics Expenses

Expenses:

Taxes—analyze by taking 80% of the purchase price and multiplying by the city mil rate. You get this from the assessor office.

Insurance—get three bids, compare to what the owner is paying now

Management Fees—a percentage of revenues collected. This includes rents, other income....negotiate out bill back monies

Administrative Fees—Fees used to run the office at the property.

Utilities—Gas, electric, water

Repairs/Contracted Services—repairs to the property as well as upkeep such as exterminating, pool service, elevator service, trash removal....

Common Area Maintenance—regular maintenance done on the common areas. These areas include hallways, parking lots, out buildings, pool areas, roofing areas...

Other—Other expenses includes advertising and other one time type expenses

Key Ratios and Numbers

Net Operating Income or NOI:

Yearly Income

-Yearly Operating Expenses (No Debt Service)

Net Operating Income

Operating expenses are all of the items on the previous page that can be expensed at the end of a year.

Capital Expenses—Expenses that are depreciated over time. These items include; roofs, exterior paint, siding, carpet, heating systems....

Often called Cap Ex for short, another common term for these expenses are “below the line” expenses

Rule of Thumb—When operating a property, get as many expenses into the Operating column, when selling a property, get as many expenses into the Cap Ex column.

Three key ratios:

1. Capitalization Rate—the “unlevered” return you expect to get on your investment.

2. Cash on Cash Return—tells you how fast you are going to get your (or your investors) money back.

3. Debt Coverage Ratio—tells you how many times your cash flow covers your debt service (mortgage)

Analysis Basics

Conservative

Cap Rate—NOI/Sales Price

Cash on Cash Return

$$\frac{\text{NOI} - \text{Cap Ex} - \text{Debt Service}}{\text{Acquisition Costs}}$$

Dept Coverage Ratio

$$\frac{\text{NOI} - \text{Cap EX.}}{\text{Debt Service}}$$

Conventional

Cap Rate—NOI/Sales Price

Cash on Cash Return

$$\frac{\text{NOI} - \text{Debt Service}}{\text{Acquisition Costs}}$$

Dept Coverage Ratio

$$\frac{\text{NOI}}{\text{Debt Service}}$$

Holy Trinity

In order to source a deal that will be attractive to private money investors and will give you the ability to carve out 25% of the equity in the deal for your company, the rule of thumb is the three key ratios must exceed the following:

Cap Rate	8+
Cash/Cash Return	12+
Debt Coverage Ratio	1.6+

We call this the Holy Trinity because, you will realize that you will have to look at a lot of deals and create the right relationships to get a deal that meets these parameters. When this happens, you will feel a feeling of euphoria! The sky will open up, the sun will shine down and you will hear the sounds of trumpet blaring in the distance.

Underwriting template

Retail

Characteristics -

- Tenant Needs are specific
- Usually Require a build out
- Tenant Rep Brokers
- Must consider Tenant Mix
- Exclusivity Demands Made by Tenant
- Rent sometimes a % of sales
- Traffic Patterns are Crucial to Success
- Surrounding Market Determines Product and Services\

Management

- Less management intensive—manage exterior
- Tenants are more professional
- Tenants control their own space
- Stronger lease, less government interference

Must Do

- Read leases
- Know the expenses
- Know what can be pass through (tax, ins...)
- Sub Metering available?

Operating Expenses

Retail—15—35% of Gross Operating Income (GOI)

Retail & Office Lease Agreement

THIS LEASE ("Lease") is made and entered into this day of , 19 , between , a ("Landlord") whose address for purposes of notice hereunder island ("Tenant") whose address both prior to and after the Commencement Date (as defined in Section 2.01) is

WITNESSNETH:

ARTICLE I

1.01 Premises: Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, for the rent and subject to the provisions of this Lease, that certain parcel of vacant land ("Premises") described in the Exhibit "A", attached hereto and by this reference made a part hereof and/or shown on a Site Plan attached hereto, marked Exhibit "B" and by this reference made a part hereof. Landlord and Tenant hereby agree that the Premises will, when complete, contain a Building to be constructed in accordance with the Development Agreement attached hereto as Exhibit "C". Said Building and related improvements shall be constructed in accordance with plans and specifications approved by Landlord and Tenant, pursuant to Exhibit "C". In the event that, upon completion of the Building and related improvements, as provided for hereinafter, the actual square footage of the building is more or less than planned, this Lease and its provisions shall be deemed amended, pro rata, to reflect the then existing actual square footage of the Building, including, if applicable, those provisions reflecting Landlord's contributions to Tenant's Improvements, pursuant to said Exhibit.

ARTICLE II

2.01 Term: The term of this Lease shall be for () years, beginning on the Commencement Date, defined hereinafter, and ending at 12 o'clock noon on a date () years thereafter, ("Expiration Date"), unless sooner terminated by the Landlord as provided herein. There shall be () () year Option Periods upon terms and conditions mutually agreeable to Landlord and Tenant.

2.02 Possession: If on the Commencement Date any of the following items, hereinafter referred to as "Rental Abatement Conditions" shall have occurred and be continuing, rent hereunder shall be abated. Rental Abatement Conditions shall be strictly limited to an event or item which prohibits the Landlord from: first, fulfilling Landlord's covenant of quiet enjoyment in delivering to Tenant a legally defensible leasehold interest in the premises; or second, delays in any review and response required by Landlord as set out in Exhibit "C" hereto, in excess of the specific time parameters set out therein. Neither Landlord nor Landlord's agents

shall be liable for any claim, damage, consequential or otherwise, loss, liability or expense in connection with such failure to complete construction or tender possession, nor shall this Lease be void or voidable, except at the express option of the Landlord.

2.03 Commencement Date: The Commencement Date shall be the earlier of (a) the 45th day immediately subsequent to the later of the following two dates: (i) the date on which the architect supervising construction shall certify in writing to the Landlord and to the Tenant that the Building and all of its facilities are substantially complete and ready for use, except for the personal property required to be installed or supplied by the Tenant, or (ii) the date of the issuance by the appropriate governmental authority of a temporary certificate of occupancy for the entire Building; or (b) the date on which the Tenant commences business at the Building. After the Commencement Date has been determined, and upon the demand of either the Landlord or the Tenant, the parties hereto will execute a written declaration in recordable form expressing the specific commencement and termination dates of the initial term.

ARTICLE III

3.01 Annual Base Rent: Subject to the adjustments to Base Rent herein set forth, and in consideration for this Lease, Tenant hereby agrees to pay to Landlord a base annual rental ("Base Rent") for the first lease year of (\$) DOLLARS payable in monthly installments of (\$) DOLLARS on the first day of each calendar month of the first lease year. Base Rent shall be paid to Landlord, without notice, demand, deduction, offset or abatement, in legal tender of the United States of America, at such place as Landlord shall designate, or to such other person or at such other place as Landlord may from time to time designate in writing.

3.02 Annual Rent Escalation: The Base Rent agreed to above shall be increased on the annual anniversary of the Commencement Date and on each successive annual anniversary of the Commencement Date during the term (each such annual anniversary date being hereinafter referred to as the "Escalation Date"). Such increase in the Base Rent shall be an amount equal to the greater of (i) percent (%) of the Base Rent charged for the year immediately preceding the Escalation Date, not to exceed (%) percent, or (ii) (%) of the product of the Percentage Increase (as defined below) for the Escalation date multiplied by the Base Rent charged for the year immediately preceding the Escalation Date. Such increased Base Rent shall be payable in () monthly installments in advance of the first day of each calendar month commencing on the Escalation Date and continuing until the next Escalation Date. Landlord shall notify Tenant in writing of such increased Base Rent as soon as such determination is reasonably possible. If notification is not given until after the Escalation Date, any increased amounts due but not paid since the Escalation Date shall be payable within () days after Tenant's receipt of such notice. As used in this Section 3.02: (a) "Index" shall mean the Consumer Price Index for all Urban Consumers, All Cities Average, all items (1967 = 100), not seasonally ad-

justed, published and issued by the Bureau of Labor Statistics of the United States Department of Labor (the "Bureau of Labor Statistics"). In the event that the Consumer Price Index ceases to use the 1967 average of One Hundred (100) as the basis of calculation, or if a change is made in the terms of particular items contained in the Consumer Price Index, the Consumer Price Index shall, at the discretion of Landlord, be adjusted to the figure that would have been arrived at had the change in the manner of computing the Consumer Price Index in effect at the Commencement Date of the Lease Term not been affected. In the event that such Consumer Price Index (or successor or substituted Consumer Price Index) is not available, a reliable governmental or other non-partisan publication, evaluating the purchase power of money, may be used at the discretion of Landlord.

(b) "Comparative Month" shall mean the calendar month which is completed immediately prior to () months before each Escalation Date during the Term. (c) "Percentage Increase" for each Escalation Date shall mean the increase in the Index (expressed as a percentage) during the () month period immediately preceding the Comparative Month.

3.03 Initial Term Rental: It is agreed that the property is leased for a rental equal to the number of years of the initial term multiplied by the Annual Base Rental, as adjusted, for the term hereof, payable at the time of the making of this Lease and that the provisions herein contained for the payment of such rent in installments are for the convenience of the Tenant only. Upon default in the payment of such rent, or upon any default of the terms of this Lease, the entire rent, as adjusted on the date of default, for the full Lease term then remaining unpaid shall at once become due and payable without any notice or demand.

3.04 Security Deposit/Escrow Deposit: Tenant has deposited with Landlord the sum of (\$) as a "Security Deposit" and/or "Escrow Deposit". The amount so deposited shall be treated as a Security Deposit after the commencement date of the Lease and as an Escrow Deposit. If Tenant defaults with respect to any provisions of this Lease, Landlord may, without obligation and without prejudice to any other remedy or remedies which Landlord may have on account thereof, apply all or any part of the Security Deposit to the curing of any such default, and upon such application, Tenant shall, upon demand deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount, and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep the Security Deposit in a separate fund, but may commingle it with other funds, and Tenant shall not be entitled to interest on such deposit. If Tenant is not in default, the Security Deposit or any balance thereof shall be returned to Tenant within () days after the Expiration Date. Nothing herein shall be construed to give Tenant the right to offset or use the Security Deposit to satisfy any sums due to Landlord under this Lease. As an Escrow Deposit, the amount paid by Tenant to Landlord pursuant to this section shall, prior to the Commencement Date of this Lease, be held by Landlord to secure the performance of Tenant under the Devel-

opment Agreement, Exhibit "C", and to the extent the Tenant defaults there under, Landlord may retain all or so much of said Escrow Deposit, as agreed, as liquidated damages for the breach of said Lease. This Escrow Deposit shall, without execution of any other document, become a Security Deposit as hereinbefore described upon the Commencement Date of the Lease.

ARTICLE IV ADDITIONAL RENT

4.01 Net Lease: It is the purpose and intent of the Landlord and Tenant that the payments made to Landlord under this Lease shall be absolutely net to Landlord so that the Premises Expenses as hereinafter defined shall be the obligation of Tenant rather than Landlord.

4.02 Sales Tax on Rents: Tenant hereby agrees to pay to Landlord, as Additional Rent, Sales Tax (and any other applicable tax) on all rentals payable hereunder, including, without limitation, Base Rent, all increases to Base Rent and Additional Rent (hereinafter collectively referred to as ("Rent")).

4.03 Tenant's Premises Expenses: (a) Tenant shall pay to Landlord in each calendar year of the Term, or portion thereof, as Additional Rent (i) all Common Area Costs described in Section 4.04 hereof; (ii) all real estate and other ad valorem taxes and assessments of every kind and nature relating to the Premises; and (iii) all premiums, charges and/or assessments paid or owed by Landlord for insurance on the Premises and on personal property used in the maintenance of the Premises (collectively referred to as the "Premises Expenses"). Prior to or on the Commencement Date, and from time to time thereafter throughout the Term, Landlord shall notify Tenant in writing of Landlord's estimate of Tenant's Premises Expenses, and in addition to Base Rent, Tenant shall pay to Landlord, in advance on the first day of each calendar month during the Term, installments equal to () of such estimated amount. The first such installment is due on the Commencement Date.

(b) Within () days after the end of each calendar year of the Term, or portion thereof, Landlord shall furnish Tenant with a statement, certified by Landlord, of the actual Premises Expenses. If the total amount paid by Tenant for estimated Premises Expenses for any calendar year of the Term, or portion thereof, exceeds Tenant's actual Premises Expenses for such period, Landlord shall refund the difference to Tenant at the time Landlord furnishes the statement to Tenant. If, however, the total amount paid by Tenant is less than Tenant's actual Premises Expenses, Tenant shall pay the deficiency within () days after receipt of Landlord's statement. Notwithstanding the foregoing as and to the extent Premises Expenses increase at any time during the term hereof, Landlord reserves the right to increase the Tenant's Premises Expenses by the amount of such increase by providing written notice of to Tenant and Tenant, subject to Tenant's right to audit Premises Ex-

penses, agrees to commence payment of said increase upon the next due monthly installment. Tenant, at its sole costs and expense, shall have the right once each year, but within the () day period following the date Landlord furnishes the aforementioned statement to Tenant, to examine or audit Landlord's records pertaining to Premises Expenses. The obligations of Landlord and Tenant under this Article IV shall survive the expiration of the Term.

4.04 Common Area: The term "Common Area" means all areas, facilities and improvements provided by Landlord and/or the adjoining shopping center as the same may from time to time be constructed for the convenience and use of the Tenant of the Premises, and its subtenants, agents, concessionaires, employees, customers, invitees and licensees, including without limitation, all parking areas, sidewalks, service corridors, truck ways, loading docks, delivery areas, ramps, landscaped areas, public bath rooms, access and interior roads, retaining walls and lighting facilities. Tenant recognizes and agrees that the Landlord and an association as described below shall at all times have the right to reasonably determine the nature and extent of the Common Areas, whether within or adjacent to the Premises, and of making such changes, rearrangements, additions or reductions thereto which from time to time, in Landlord's, or an association to be formed, reasonable judgment, are deemed to be desirable, or which are required by law.

(a) Master Maintenance Association: Landlord and Tenant understand that the property upon which the Premises is located is or will be subject to a master maintenance association (the "Association") for the purpose of administering Tenant's pro rata share of association expenses and for providing continuity of management of the Common Areas within the adjoining shopping center. As and to the extent that Landlord is required to be a member of an association for the purpose of administering common areas, Tenant may be required to be a member of the same and as such a portion of the Common Area Costs shall be charged to administration and overhead of the same and be included within Premises Expenses as defined in 4.03 above.

4.05 Utilities: Tenant shall apply for and be solely responsible for, and shall promptly pay, all charges for water, heat, electricity, sewer, telephone and any other utility used

on, or furnished to, the Premises, and will save and hold harmless Landlord from any charge or liability for same. Landlord shall not be liable for any interruptions whatsoever in utility services and Landlord shall not be in breach or default under this Lease provided Landlord uses reasonable diligence to restore any such failure or defect after Landlord receives written notice thereof.

4.06 Leasehold and Personal Property Taxes: Tenant shall pay or cause to be paid, before delinquency, any and all taxes levied, or assessed and payable during the Term hereof on all of Tenant's equipment, furniture, fixtures and personal property located in the Premises.

4.07 Real Estate Taxes: The Tenant will pay and

discharge when the same become initially due and payable, all real estate taxes during the term hereof that shall be levied, assessed or imposed upon or against the Premises.

ARTICLE V

5.01 Use: Tenant shall use the Premises only for the specific purposes and activities described in the attached Exhibit "D", including related activities and programs complimentary to the operation of the same and customarily undertaken by Tenant in other similar facilities operated by Tenant. No other purposes shall be permitted unless such other purpose or use is approved by Landlord in writing. Tenant shall not allow Premises to be used for any improper, immoral, unlawful, or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance (whether public or private) in, on or about the Premises, including but not limited to, objectionable or harmful noises and odors. Tenant shall not commit or suffer to be committed any waste in or upon the Premises, except for reasonable wear and tear. Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any private restrictive covenant, law, statute, ordinance or any rule or regulation of Landlord or any governmental or quasi-governmental authority now in force or which may hereafter be enacted or promulgated, provided that Landlord represents to Tenant that under applicable zoning laws and present covenants of record there is no impediment to use of

Premises as contemplated by this Lease. Landlord will not, during the term of this Lease and any extension hereof, agree to any private restrictive covenant or enact any rule or regulation which would impair the ability of Tenant to use the Premises as contemplated by this Lease.

ARTICLE VI

6.01 Alterations and Additions: From and after the

Commencement Date, Tenant shall make no alterations, installations, additions or improvements in or to the Premises without the prior written consent of Landlord. From the date of execution hereof, any improvements, including the Building, and any alterations, installations, additions or improvements in or to said Premises, except movable furniture and movable trade fixtures, shall become a part of the realty and belong to Landlord and shall be surrendered with the Premises at the expiration or termination of this Lease or termination of Tenant's right to possession of the Premises; provided; however, that Landlord may require Tenant, at Tenant's sole cost and expense, to remove any alterations, installations, additions or improvements made by Tenant. Prior to the expiration or termination of this Lease, Tenant shall remove all Tenant's property and all of the property designated by Landlord for removal from the Premises, and make, or reimburse Landlord for the costs of, all repairs to the Premises resulting from such removal.

6.02 Tenant Repairs: By taking possession of the Premises, Tenant shall be deemed to have accepted the Premises as being in good, sanitary order, condition and repair, and except as provided in Section 6.03 hereof, Tenant, at its own cost and expense, shall:

- (a) Keep and maintain in good order, tenantable condition and repair (including the replacement of parts and equipment, if necessary) the Premises and every part thereof, and any and all appurtenances thereto wherever located, including without limitation the interior portion of all doors, door checks, windows and window frames, plate glass, store front, all plumbing facilities within the Premises, signs, fixtures, and electrical systems (whether or not located in the Premises), sprinkler systems, walls, floors and ceilings;
- (b) Keep and maintain in good order, tenantable condition and repair (including the replacement of parts and equipment, if necessary) the heating and air conditioning systems. In order to assure Landlord that the heating and air conditioning systems on the Premises will be properly maintained Tenant shall, prior to taking occupancy of the Premises, enter into a maintenance contract in a form and with a subcontractor approved by Landlord, and naming Landlord as an additional loss payee or co-beneficiary under the same. A copy of said maintenance contract together with evidence of payment of the premiums of other fees necessary to make the same executory shall be provided to Landlord as a condition of taking possession of the Premises. In like manner, evidence of renewal or replacement of said maintenance contract shall be provided annually on each anniversary date of this Lease. The obligation to provide the maintenance contract shall not limit the duty to maintain the heating and air conditioning systems as aforesaid, but shall be in addition thereto.
- (c) Keep and maintain the Premises in a clean, sanitary and safe condition in accordance with state and federal laws, and in accordance with all directions, rules, and regulations of health officers, fire marshals, building inspectors, or regulatory jurisdiction over the Premises; and Tenant shall comply with all laws, regulations and ordinances affecting the premises, including without limitation, all laws, regulations and ordinances applicable to banking facilities. Install and maintain fire extinguishers and other fire protection devices, and comply with all requirements of any insurance policies and the insurance underwriters insuring the Premises;
- and (d) Permit no waste or damage to the Premises, and Tenant shall carry out a program of regular maintenance and repair to the Premises, including the painting or refinishing of all areas of the interior so as to impede, to the extent possible, deterioration by ordinary wear and tear, and to keep the same in an attractive condition. At the termination of this Lease, Tenant shall surrender the Premises in good condition, reasonable wear and tear and loss by fire or other casualty excepted.
- (e) Keep and maintain in good repair the foundation, exterior walls and roof of the premises, as well as the structural portions of the Premises (including the doors, door frames, door checks,

window and window frames located in exterior building walls). Notwithstanding the foregoing, Landlord shall have the right to approve any repairs, maintenance or the like affecting the exterior appearance of the Premises. In the event Tenant fails to perform any duties under the terms of this Section 6.02 for a period of () business days after written demand therefore from Landlord, Landlord or its authorized representatives may, but shall not have a duty to, perform any such duties without liability to Tenant for any loss or damage which may result to Tenant's stock or business by reason of Landlord's performance thereof. In the event Landlord performs, or causes to be performed, any of Tenant's responsibilities under this Article, such performance shall not constitute a waiver of Tenant's default under this Lease for failing to do same, and Tenant shall be liable for all of Landlord's costs and expenses, plus interest thereon at the rate specified in Section 9.04, from the date such costs and expenses are incurred until Tenant reimburses Landlord for same. The failure of Tenant to reimburse Landlord for such amounts upon demand, shall be a breach of this lease, and Landlord shall be entitled to all of the remedies set forth in Article IX hereof. Notwithstanding the foregoing, (i) Landlord agrees that Tenant may accept possession of the Premises subject to a punch list and latent defects, but such punch list or latent defects shall not modify or otherwise abrogate the obligation of the Tenant to pay rent as required herein, and (ii) Landlord shall repair or replace any items that are defective in materials or workmanship within one year after the Commencement Date. If applicable, Landlord shall assign to Tenant all extended warranties provided by contractors, subcontractors, suppliers, and material for the use and benefit of Tenant.

6.03 Landlord Repairs: Landlord shall have no duty to repair or maintain the Premises or any part thereof. Neither the Landlord nor the Tenant shall erect any fence or barrier that will segregate or separate the Premises from the Common Area, as set out in Paragraph 4.4 hereinabove.

ARTICLE VII

7.01 Tenant's Insurance: Tenant shall, in addition and at Tenant's sole expense, obtain and keep in force during the Term of this Lease and any extension or renewal hereof: (i) fire and extended coverage insurance with vandalism and malicious mischief endorsements and a sprinkler leakage endorsement (where applicable), on the Premises, with the building to be insured for not less than 100% of its replacement cost; (ii) comprehensive general liability insurance, including contractual liability coverage (pursuant to Section 7.03 hereof), insuring Landlord (as an additional insured) and Tenant against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Said insurance shall be with insurance companies approved by Landlord, and shall have minimum limits of (\$) for any loss of or damage to property from any one accident, and (\$) for death of or injury to any one person from any one accident; and (iii) if not previously covered under (i) above contents and

personal property insurance in such amounts as will fully insure the same in the event of loss or damage. The limits of said insurance shall not, however, limit the liability of the Tenant hereunder.

Tenant may carry said insurance under a blanket policy; provided, however, said insurance shall have a Landlord's protective liability endorsement attached thereto. The fire and extended coverage insurance on the building shall name Landlord as an insured party and any mortgagee of which Tenant is given written notice as mortgagee. If Tenant shall fail to procure and maintain said insurance, Landlord, may, but shall not be required to, procure and maintain same, but at the expense of Tenant. Tenant shall deliver to Landlord, prior to occupancy of the Premises, copies

of the policies of liability insurance required herein, or certificates evidencing the existence and amounts of such insurance, with loss payable clauses satisfactory to Landlord. No policy shall be cancellable or subject to reduction of coverage except after not less than () day prior written notice to Landlord.

7.02 Waiver and Subrogation: Whenever (a) any loss, costs, damage or expense resulting from fire, explosion or any other casualty or occurrence is incurred by either of the parties to this Lease in connection with the Premises, and (b) such party is then covered (or is required under this Lease to be covered) in whole or in part by insurance with respect to such loss, costs, damage or expense, then the party so insured hereby releases the other party from any liability it may have on account of such loss, costs, damage or expense to the extent of any amount recovered by reason of such insurance, and waives any right of subrogation which might otherwise exist on account thereof, provided that such release of liability and waiver of the right to subrogation shall not be operative in any case where the effect thereof is to invalidate such insurance coverage or increase the cost thereof (provided, that in the case of increased costs, the other party shall have the right, within () days following written notice, to pay such increased costs, thereupon keeping such release and waiver in full force and effect). Landlord and Tenant shall use their respective best efforts to obtain such a release and waiver of subrogation from their respective insurance carriers and shall obtain any special endorsements, if required by their insurer, to evidence compliance with the aforementioned waiver.

7.03 Hold Harmless: Landlord and Landlord's agents and employees shall not be liable to any person or party for any (i) injury to, or death of, persons, or (ii) damage to property in or about the Premises, in either case caused by Tenant, or Tenant's employees, servants, agents, subtenants, licensees, concessionaires or invitees, or arising out of the use of the Premises by Tenant, or arising out of any default by Tenant in the performance of its obligations hereunder; and Tenant hereby indemnifies and holds Landlord harmless from any loss, expense (including reasonable attorney's fees), or claims arising out of such injury, death, damage, use or default. Landlord and Landlord's agent and employees

shall not be liable to Tenant for (i) injury to, or death of, persons, or (ii) damage to property sustained by Tenant, or any person claiming through Tenant, resulting from any accident or occurrence in or about the Premises, nor shall Landlord be liable to Tenant for any loss or damage that may be occasioned by or through the acts or omissions of any other persons, excepting those instances where the Landlord, its agents and employees have been adjudicated negligent.

ARTICLE VIII

8.01 Casualty: If the Premises, or any portion thereof, shall be damaged by fire or other casualty covered by the insurance carried by Tenant hereunder or the cost of repairing such damage shall not be greater than percent (%) of the then full replacement cost thereof as Landlord shall determine, then, subject to the following provisions of this Article, Tenant shall repair the Premise. If the Premises shall be damaged (a) by fire or other casualty not covered by insurance carried by Tenant hereunder, or (b) to an extent greater than percent (%) of the then full replacement costs thereof, then Landlord shall have the option (i) to have Tenant repair or reconstruct the same to substantially the same condition as immediately prior to such fire or other casualty, or (ii) to terminate this Lease by so notifying Tenant within () days after the date of such fire or other casualty, such termination to be effective as of the date of such fire or other casualty. If Landlord elects or is required to repair or reconstruct the Premises, Tenant shall diligently pursue such repair or reconstruction to completion provided all the proceeds of the insurance are assigned to and made available to Landlord and the same are adequate for the purpose intended. The Rent required to be paid hereunder shall not be abated while repairs of the Premises are completed, but shall continue in full force and effect. For this purpose Tenant shall carry at Tenant's sole cost and expense appropriate Business Interruption Insurance. No damages, compensation or claims shall be payable by Landlord for loss of the use of the whole or any part of the Premises, Tenant's personal property, or any inconvenience, loss of business or annoyance arising from any such repair and reconstruction. Landlord shall not be required to repair or replace any furniture, furnishings or other personal property, equipment, inventory, fixtures or goods which Tenant may be entitled to remove from the Premises.

8.02 End of Term Casualty: Notwithstanding anything to the contrary in this Article, Landlord shall not have any obligation whatsoever to repair, reconstruct or restore the Premises when the damage resulting from any casualty covered under this Article occurs during the last () months of the Term or any extension thereof, if the cost of repair is greater than (%) of full replacement cost of the building on the Premises and such repairs cannot be completed within () days.

8.03 Condemnation: If more than (%) percent of the premises shall be taken or appropriated by any public or quasi-public authority under the power of eminent domain, or conveyed or leased in lieu of such taking or appropriation, either party hereto shall have the right, at its option, to terminate this Lease on the date when title or right of possession shall vest. If either party terminates the Lease, Tenant shall be entitled to a refund of all Rent paid for any period beyond said date; Landlord shall be entitled to any and all income, rent, award or any interest therein whatsoever which may be paid or made in connection with such public or quasi public use or purpose; and Tenant shall have no claim against Landlord for the value of any unexpired Term of this Lease. Tenant shall be entitled, to the extent provided under the general law, to obtain the value of its leasehold improvements, business interruption and moving expenses. If (%) percent or less of the premises is taken, or more than (%) percent of the Premises is taken and neither party elects to terminate as herein provided, the rental thereafter to be paid shall be equitably reduced, and Landlord will repair, reconstruct or restore the Premises; provided, however, that Landlord's efforts shall only be directed to the work which was the obligation of Landlord at the inception of the Lease, and Landlord shall not be obligated to spend, for such work, an amount in excess of the condemnation proceeds received by Landlord which are attributable to the Premises.

ARTICLE IX

9.01 Default: The occurrence of any one or more of the following events shall constitute a default under this Lease by Tenant:

- (a) The failure by Tenant to make any payment of Rent or any other payment required to be made by Tenant hereunder, as and when due, where such failure shall continue for a period of () days from the date said payment is due.
- (b) The material breach of any representation by Tenant, or the failure by Tenant to fulfill or perform, in whole or in part, any of its obligations under this Lease, other than the payment of any monetary obligations hereunder, where such failure shall continue for a period of () days after written notice thereof by Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than () days is reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences such cure within said () day period, and thereafter diligently prosecutes such cure to completion.
- (c) The failure by Tenant to remove any lien filed against this leasehold estate, or the Premises by reason of Tenant's actions within () days after written notice to Tenant of any such filing.
- (d) The making by Tenant of any general assignment or general arrangement for the benefit of creditors; or the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt, or a petition or reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against

Tenant, the same is dismissed within () days); or the appointment of a trustee or a receiver to take possession of substantially all of Tenant's assets located at the Premises, or of Tenant's interest in this Lease where possession is not restored to Tenant within () days; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises, or of Tenant's interest in this Lease, where such seizure is not discharged in () days.

(e) The transfer, mortgage, assignment, or other encumbrance by Tenant of this leasehold estate, except as provided hereunder.

(f) Failure to occupy the Premises on or before the Commencement Date set out hereinabove. (g) Abandonment by Tenant under Paragraph 10.04 herein below.

9.02 Rights Upon Default: If a default occurs and

Tenant fails to take such curative action as required herein, then at any time thereafter and prior to the curing thereof, with or without further notice or demand, Landlord may exercise any and all rights and remedies available to Landlord under this Lease, at law, or in equity, including without limitation terminating this Lease and terminating Tenant's right to possession without terminating the Lease. In the event of a Default, Landlord may, without additional notice and without court proceedings, reenter and repossess the Premises and remove all persons and property there from and Tenant hereby agrees to surrender possession of the Premises and waives any claim arising by reason thereof or by reason of issuance of any distress warrant or writ of sequestration and agrees to hold Landlord harmless from any such claims. If Landlord

elects to terminate this Lease, it may treat the default as an entire breach of this Lease and Tenant shall immediately become liable to Landlord for damages equal to the total of (i) the cost of recovering, re renting (including without limitation the costs of lease commissions attributable to the unexpired portion of the Term of this Lease), and remodeling the Premises, (ii) all unpaid Base Rent and other amounts earned or due through such termination, plus (iii) the excess, if any, but not less than zero, of the present value of the Base Rent and other amounts to be paid by Tenant hereunder for the remainder of the full Term over the present value of the fair market value of the Premises for the remainder of the full Term, such present values to be based on a

(%) percent per year discount rate and computed as of the date of termination. If Landlord elects to terminate Tenant's right to possession of the Premises without terminating the Lease, Landlord may, but shall not be obligated to, rent the Premises or any part thereof for the account of Tenant to any person or persons for such rent and for such terms and conditions as Landlord deems appropriate, and Tenant shall be liable to Landlord for the amount, if any, by which the Rent for the unexpired balance of the Term exceeds the net amount, if any, received by Landlord from such re renting, after deducting from the gross amount received by Landlord the costs of repossession, re renting, remodeling and other expenses incurred by Landlord. Such sum or sums shall be paid by Tenant in monthly installments on the first day of each month of the Term. Landlord shall use reasonable efforts to rent the Premises in the event of default by Tenant, but,

in no event, shall Landlord be liable for failure to rent the premises or to collect the rent due under such re-renting, and in no event shall Tenant be entitled to any excess rents received by Landlord. All rights and remedies of Landlord shall be cumulative and not exclusive.

9.03 Costs: If a default occurs, then Tenant shall reimburse Landlord on demand for all costs reasonably incurred by Landlord in connection therewith including, but not limited to, reasonable attorneys fees, court costs and related costs, plus interest thereon from the date such costs are paid by Landlord until Tenant reimburses Landlord, at the rate specified in Section 9.04 below.

9.04 Interest: All late payments of Rent, costs or other amounts due from Tenant under this Lease shall bear interest from the date due, until paid, at the maximum non-usurious rate of interest at which Tenant may legally contract in. The acceptance by Landlord of any late payment shall not be deemed to be a waiver by Landlord of its rights to insist upon performance of any other obligation under this Lease.

9.05 Landlord's Lien: Landlord reserves (and is hereby granted) a first and superior lien and security interest (which shall be in addition to and not in lieu of the statutory Landlord's lien) on all leasehold improvements, fixtures, equipment and personal property (tangible and intangible) now or hereafter placed by Tenant in or on the Premises to secure all sums due by Tenant hereunder, which lien and security interest may be enforced by Landlord in any manner provided by law, including without limitation, under and in accordance with the Uniform Commercial Code. The provisions of this Section shall constitute a security agreement under the Uniform Commercial Code and, at Landlord's request, Tenant shall execute and file, where appropriate, all documents required to perfect the security interest herein granted in accordance with the Uniform Commercial Code. Notwithstanding the foregoing, Landlord shall, upon request by Tenant, subordinate its lien and security interest herein retained (as well as any statutory Landlord's lien) to any lien securing bona fide financing of Tenant's movable personal property placed in the Premises.

9.06 Non-Waiver: The failure of Landlord to seek redress for violations of or to insist upon the strict performance of, any covenant or condition of this Lease shall not prevent a subsequent act or omission that would have originally constituted a violation of this Lease from having all the force and effect of an original violation. The receipt by Landlord of Rent with or without knowledge of the breach of any provision of this Lease shall not be deemed a waiver of such breach, shall not reinstate this Lease or Tenant's right of possession if either or both have been terminated, and shall not otherwise affect any notice, election, action or suit by Landlord. No act or thing done by Landlord during the Term

shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept such surrender shall be valid unless express and in writing signed by Landlord.

ARTICLE X

10.01 Assignment and Subletting: Tenant shall not, voluntarily, by operation of law, or otherwise, assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein, and shall not sublet the said Premises or any part thereof, or any right or privilege appurtenant thereto, or permit any other person (the employees, agents, servants, and invitees of Tenant excepted) to occupy or use the said Premises, or any portion thereof (any such assignment, transfer, mortgage, pledge, hypothecation, encumbrance, sublet or permission to use being hereinafter collectively referred to as a "Transfer") without the prior written consent of Landlord, which consent will be governed by the Consent Factors set forth in Section 10.02 below. A consent to one Transfer shall not be deemed to be a consent to any subsequent

Transfer. Any such Transfer without consent shall be void and shall constitute a default under this Lease; provided, however, that Landlord may nevertheless collect Rent from the assignee or sub lessee without waiving any provision hereof or releasing Tenant from the performance of its obligations under this Lease. Any Transfer by Tenant which has been approved by Landlord shall not relieve Tenant of its direct and primary liability under any and all of the covenants and obligations contained in or derived from this Lease for the full Term of this lease, and Landlord shall be entitled to enforce the provisions of this Lease against Tenant or any assignee or sub lessee without demand upon or proceeding in any way against any other person or entity.

10.02 Consent Factors: Landlord may consider any reasonable factor in determining whether or not to consent to a sublet of the Premises or an assignment of this Lease. Landlord and Tenant hereby agree that any one of the following factors, or any other reasonable factor, shall be a reasonable basis for consenting to or denying a sublet or an assignment:

(a) The financial strength of the proposed subtenant/assignee must be equal to or greater than the financial strength of Tenant on the Commencement Date of this Lease, and Landlord may require evidence reasonably acceptable to Landlord of such financial strength which demonstrates a present and future capacity to perform the financial obligations of Tenant under the Lease.

(b) The business reputation of the proposed subtenant/assignee must be in accordance with generally acceptable commercial standards.

(c) The use of the Premises by the proposed subtenant/assignee will not violate or create any potential violation of any laws, covenants or other agreements affecting the Premises or other leases in the abutting shopping center development.

(d) Tenant shall not be in default under this Lease.

(e) The sublease is for a term less than the remaining Lease Term and/or at a rental rate less than the then current market rate for comparable premises.

10.03 Proceeds: In the event Landlord consents to a sublet or an assignment, and as consideration therefore, Tenant hereby agrees to

pay Landlord (%) percent of any

lump sum paid to Tenant for such sublet or assignment, as well as (%) percent of all rentals paid to Tenant by any subtenant or assignee in excess of the rent payable hereunder but any sums paid by an assignee or sub lessee for personal property, goodwill or the value of the business as a going concern will not be included in the amounts paid to Landlord under this Section. Any

sublet or assignment approved by Landlord must be in writing and in a form acceptable to Landlord. In addition, Tenant shall reimburse Landlord for all Landlords' reasonable attorney's fees and other direct costs incurred on account of such sublet or assignment.

10.04 Abandonment: In the event, following the Commencement Date, Tenant vacates the Premises or otherwise ceases to operate the same for its intended purpose for a period of () days or more, Landlord shall have the right, following the () day period, to terminate this Lease upon the giving of () days notice, which notice shall advise Tenant that unless Tenant recommences operations within the () day period, the Lease shall terminate automatically and without further notification, upon the expiration of the () day period. In such event, the Tenant shall immediately vacate the Premises and otherwise surrender the same to Landlord as contemplated upon the expiration of the Lease term, which shall not relieve the Tenant of its obligations hereunder. In the absence of Landlord providing such notice, Tenant may remain in possession and not operate the Premises for its intended purpose so long as Tenant continues to perform all other requirements under the Lease, including without limitation, the obligation to pay the Rent required under the pursuant to the terms and conditions of this Lease.

ARTICLE XI

11.01 Entry by Landlord: Landlord, its agents, employees and representatives, shall at all reasonable times have the right to enter the Premises provided prior notice is given to Tenant, for the purpose of and to: inspect the same; supply any service to be provided by Landlord to Tenant hereunder; show said Premises to prospective purchasers, mortgagees or tenants; post notices of non-responsibility; alter, improve or repair the Premises, or for any other purpose that Landlord may reasonably deem necessary or desirable, without abatement of rent. Landlord shall, at Tenant's request, utilize identification provided by Tenant and/or consent to utilization of an escort during such inspections, provided; however, Tenant hereby waives any claim for damages, or for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, and any other loss occasioned thereby, except for damages resulting from Landlord's

gross negligence or willful misconduct. Landlord shall have the right to use any and all means which Landlord may deem proper to access the Premises in an emergency, in order to obtain entry to the Premises without liability to Tenant except for any failure to exercise due care for Tenant's property.

11.02 Subordination and Non-disturbance: This Lease and all rights of the Tenant hereunder are subject and subordinate to any and all mortgages or other security instruments which do now or hereafter encumber the Premises, or any interest of Landlord therein, and to any and all advances made on the security thereof, and to any and all increases, renewals, modifications, consolidations, and extensions of any such leases, mortgages, and/or security instruments, provided that the Landlord under any such mortgage shall agree that Tenant's rights under this Lease shall not be disturbed by any action taken under such mortgage so long as Tenant shall at torn to such Landlord under such mortgage. No further writing from Tenant shall be necessary to evidence such subordination; however, within () days after written request from Landlord, Tenant agrees to execute such Subordination, Non-disturbance and Atonement Agreement as may be reasonably required provided same contains a non-disturbance agreement customarily used in the industry.

11.03 Atonement: If any mortgage is terminated or foreclosed, Tenant shall, upon request, attorn to the mortgagee or purchaser at such foreclosure sale, as the case may be, and execute instrument(s) confirming such attornment; provided; however, that if this Lease was approved and accepted in writing by such mortgagee, Tenant's attornment shall be conditioned upon the agreement by such successor to Landlord's interest not to disturb Tenant's possession hereunder during the Term so long as Tenant performs its obligations under this Lease. In the event of such a termination or foreclosure and upon Tenant's attornment as aforesaid, Tenant will automatically become the Tenant of the successor to Landlord's interest without change in the terms or provisions of this Lease.

11.04 Quiet Enjoyment: Upon Tenant's paying the rent required hereunder, and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have quiet possession of the Premises for the entire Term hereof, subject to all of the provisions of this Lease.

ARTICLE XII

12.01 Rules and Regulations: Tenant shall faithfully observe and comply with the rules and regulations that Landlord shall from time to time promulgate, including but not limited to, those set forth on Exhibit "E", attached hereto and incorporated herein by this reference. Landlord reserves the right from time to time to

make all reasonable additions, modifications and deletions to said rules and regulations, which additions, modifications and deletions shall be binding upon Tenant upon delivery of a copy of same to Tenant. Landlord shall not be responsible to Tenant

for the nonperformance of any of said rules and regulations by any other Tenant or person.

12.02 Holding Over: Tenant may not remain in possession of the Premises after the termination or expiration of this Lease. If Tenant remains in possession of the Premises after the termination or expiration of this Lease, and Landlord and Tenant have not executed a new lease or an extension of this Lease, then Tenant shall be deemed to be occupying the Premises as a tenant- at-sufferance, subject to all of the covenants and obligations of this Lease, except that the daily Base Rent shall be the per day Base Rent in effect immediately prior to the termination or

expiration of this Lease. In addition, Tenant shall be liable for and shall pay to Landlord any and all claims and/or damages (consequential or otherwise) arising out of, or as a result of, such holding over by Tenant, and Tenant hereby agrees to indemnify Landlord for any and all such claims, damages and liability. It is expressly understood and agreed that Tenant's holding over shall not extend or renew the Term hereof.

12.03 Estoppel Certificate: Tenant shall, at any time and from time to time upon not less than (

) days prior written notice from Landlord, execute, acknowledge and deliver to Landlord an estoppel certificate in the form attached hereto as Exhibit "F", or in such form as may be reasonably required by Landlord from time to time. Such certificate shall be made for the benefit of and may be relied upon by Landlord, any prospective purchaser or transferee of Landlord's interest hereunder or of Landlord's property, or any current or prospective mortgagee of all or any portion of the real property of which the Premises are a part.

12.04 Parking: Tenant shall have the nonexclusive right to use the parking facilities of the Premises, subject to rules and regulations, if any, of Landlord which may be established or altered by Landlord at any time or from time to time during the Term hereof.

12.05 Authority of Tenant's Signatory: If Tenant is a corporation or a limited partnership, the corporation or limited partnership, as appropriate, represents and warrants that the person signing this Lease on behalf of Tenant is duly authorized to execute and deliver this Lease on behalf of Tenant, in accordance with a duly adopted resolution of the board of directors of said corporation or in accordance with the by-laws of said corporation, or pursuant to the limited partnership agreement, and that this Lease is binding upon said corporation or limited partnership in accordance with its terms. Landlord shall have the

right to request any reasonable documentation from Tenant to evidence the authority to the same to execute this Lease.

12.06 Tenant's Financial Condition:

(a) Tenant hereby represents to Landlord, which representations are relied upon by Landlord and form a material part of the consideration for this Lease, that (i) Tenant has never been

adjudicated bankrupt, taken advantage of any bankruptcy law or regulation to reorganize, made an assignment for the benefit of creditors, or been insolvent, nor is currently insolvent or involved in any proceeding or action by which any of the foregoing could occur, and (ii) Tenant has the financial capability to discharge its obligations under this Lease.

(b) Upon request, Tenant shall furnish Landlord copies of its most recent audited financial statements distributed to the shareholders or filed with the Securities and Exchange Commission .

(c) Tenant understands that the representations made and obligations undertaken in this Section

12.06 are made and undertaken as an inducement to Landlord to enter into this Lease, and that the breach or nonperformance thereof shall constitute a default under this Lease.

12.07 Landlord's Liability: The liability of Landlord

to Tenant for any default by Landlord under the terms of this Lease shall be limited to the interest of Landlord in the Premises, it being expressly understood and agreed that Landlord shall not be personally liable for any judgment or deficiency beyond the equity of Landlord's interest in the Premises.

12.08 Transfer and Assignment by Landlord: In the event of any transfer or assignment of the Premises, or of Landlord's interest in this Lease, in whole or in part, Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and

obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such transfer of assignment; and the transferee or assignee, or any subsequent transferee or assignee, shall be deemed without any further agreement

between the parties or their successors in interest, or between the parties and any such transferee or assignee, to have assigned and agreed to carry out any and all of the covenants and obligations of the Landlord under this Lease.

12.09 No Liens: Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by Tenant. If any of Landlord's mortgages or financing entities shall require, Tenant shall provide to

Landlord, a Tenant's sole cost and expense, a lien and completion bond in an amount equal to () times any and all estimated costs of any improvements, additions, or alterations in the Premises, to insure Landlord against any liability for mechanics' and material's liens and to insure completion of the work where the contracted for amount exceeds Dollars (\$).

12.10 Brokers: Landlord and Tenant each represent and warrant to the other that they have had no dealings with any real estate broker or agents in connection with the negotiation of this Lease, and they know of no real estate broker or agent who is entitled to any commission in connection herewith. They each hereby indemnify and hold the other harmless from and against all claims (including the costs of defending against and investigating such claims) of any broker(s) or similar parties claiming a commission in connection with this Lease.

ARTICLE XIII

13.01 Notice: Except as otherwise provided herein, any statement, notice or other communication which Landlord or Tenant may desire or be required to give to the other shall be in writing and shall be deemed sufficiently given or rendered if hand delivered, or if sent by registered or certified mail, addressed at the address(es) first hereinabove given or at such other address(es) as the other party shall designate from time to time by prior written notice, and such notice shall be effective when the same is received or mailed as herein provided. Until further notice, the same shall be sent as follows:

Landlord:

Tenant:

13.02 Joint Obligation: If there be more than one Tenant the obligations hereunder imposed upon Tenants shall be joint and several.

13.03 Captions: The captions in this Lease are inserted only as a matter of convenience and for reference, and they shall have no effect upon the construction or interpretation of any provision hereof.

13.04 Time: Time is of the essence of this Lease, including, particularly each and all of its provisions in which performance is a factor.

13.05 Parties and Successors: Subject to the limitations and conditions set forth elsewhere herein, this Lease shall bind and inure to the benefit of the respective heirs, legal representatives, successors and permitted assigns and/or sub lessees of the parties hereto. The term "Landlord", as used in this Lease, so far as the performance of any covenants or obligations on the part of Landlord under this Lease are concerned, shall mean only the owner of the Premises at the time in question, so that in the event of any transfer of title to the Premises, the party by whom any transfer is made shall be relieved of all liability and obligations of the Landlord arising under this Lease from and after the date of such transfer.

13.06 Recordation: Either Landlord or Tenant may record a short form memorandum hereof without the prior written consent of the other party as the same is shown on Exhibit "F" attached hereto and by this reference made a part hereof.

(a) **Limitation on Mechanics Liens:** The interest of the Landlord shall not be subject to liens for improvements made by the Tenant and Tenant shall notify any and all contractors, subcontractors, and/or material of such limitation as provided in.

13.07 Prior Agreements and Amendments: This Lease contains all of the agreement of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understandings pertaining to any such matters shall be effective for any purpose. Any agreement hereafter made between Landlord and Tenant shall be ineffective to modify, release or otherwise affect this Lease, in whole or in part, unless such agreement is in writing and signed by the party to be bound thereby.

13.08 Inability to Perform: This Lease and the obligations of both the Tenant and the Landlord hereunder shall not be affected or impaired, and neither party shall be liable to the other because either is unable to perform any of its obligations hereunder or is delayed in doing so, if such nonperformance or delay is caused by reason of strike, riot, labor disputes, acts of God, war, shortages of labor or materials, or any other cause whatsoever beyond the reasonable control of one or the other party and accordingly, such nonperformance or delay shall not be deemed a breach or default under this Lease .

13.09 Use of Name: Tenant shall not have the right to use the words, " ", as any portion of the name of its business located on the Premises without the consent of the Landlord and the Association.

13.10 Severability: Any provision of this Lease which shall prove to be invalid, void, or illegal shall in no way affect, impair or invalidate any other provision hereof and such other provisions shall remain in full force and effect.

13.11 Cumulative Remedies: No remedy or election hereunder shall be deemed exclusive, but shall, wherever possible, be cumulative with all other remedies at law and in equity.

13.12 Governing Law: This Agreement, and all transactions contemplated hereby, shall be governed by, construed and enforced in accordance with the laws of the State of

. The parties herein waive trial by jury and agree to submit to the personal jurisdiction and venue of a Court of subject matter jurisdiction located in County, State of _____. In the event that litigation results from or arises out of this Agreement or the performance thereof, the parties agree to reimburse the prevailing party's reasonable attorneys fees, Court costs, and all other expenses, whether or not taxable by the Court as costs, in addition to any other relief to which the prevailing party may be entitled. In such event, no action shall be entertained by said Court or any Court of competent jurisdiction if filed more than one year subsequent to the date of the cause(s) of action actually accrued regardless of whether damages were otherwise as of said time calculable.

13.13 Waiver by Tenant: Tenant hereby waives any and all right to assert affirmative defenses or counterclaims in any eviction action instituted by Landlord with the exception of an affirmative defense based upon payment of all amounts claimed by Landlord not to have been paid by Tenant. Any other matters may only be advanced by a separate suit instituted by Tenant.

13.14 Memorandum of Adjustments: All adjustments to the terms and provisions of this Lease, provided in Sections 1.01, 2.01, 2.02, 3.01 and 4.01 hereof may be accomplished by a memorandum executed by Landlord and Tenant prior to the Commencement Date.

13.15 Proration's: Any monthly payment due to Landlord hereunder which is for a period of less than () month shall be prorated based upon a () day month.

13.16 Exhibits: The exhibits attached to this Lease are hereby incorporated herein and made a part hereof for all purposes.

13.17 Reliance on Financial Statement. Tenant shall furnish concurrently with the execution of this lease, a financial statement of Tenant prepared by an accountant. Tenant, both in corporate capacity, if applicable, and individually, hereby represents and warrants that all the information contained therein is complete, true, and correct. Tenant understands that Landlord is relying upon the accuracy of the information contained therein. Should there be found to exist any inaccuracy within the financial statement which adversely affects Tenant's financial standing, or should Tenant's financial circumstances materially change, Landlord may demand, as additional security, an amount equal to an additional two (2) months' rent, which additional security shall be subject to all terms and conditions herein, require a fully executed guaranty by a third party acceptable to Landlord, elect to terminate this Lease, or hold Tenant personally and individually liable hereunder.

13.18 Notice on Radon Gas. Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in this state. Additional information regarding radon and radon testing may be obtained from your county public health unit.

EXECUTED the day and year first above written.

ADDRESS: 'LANDLORD'

By: Its:

ADDRESS: "TENNENT"

By: Its:

Attest:

_____(CORPORATE SEAL)

Its Secretary

EXHIBIT "A"

LEGAL DESCRIPTION

EXHIBIT 'B' SITE PLAN

EXHIBIT 'C'

DEVELOPMENT AGREEMENT

EXHIBIT'D'

USE OF PREMISES

EXHIBIT 'E'

RULES AND REGULATIONS

1. No sign, placard, picture, symbol, mark, advertisement, name or notice shall be inscribed, displayed, printed, placed or affixed on or to any part of the outside or inside of the Premises without the prior written consent of Landlord, and Landlord shall have the right to remove any such sign, placard, picture, symbol, mark, advertisement, name or notice without notice to and at the expense of Tenant. Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which is visible from outside the Premises. Tenant shall not, without the prior written consent of Landlord, cause to be covered or otherwise sunscreen any window.
2. The sidewalks, walks, corridors, passages, exits, entrances, stairways and ramps of the Premises shall not be obstructed or used by Tenant, or the employees, agents, servants, visitors or licensees of Tenant for any purpose other than for ingress and egress to and from the Premises.
3. Only workmen employed, designated or approved by Landlord may be employed for repairs, installations, alterations, painting, material moving and other similar work that may be done in or on the Premises, provided that nonstructural alterations and installations maybe done by Tenant's employees or persons under their supervision.
4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they are constructed, and no foreign substance of any kind whatsoever shall be thrown therein, and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the Tenant, or its employees or invitees, who shall have caused it.
5. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof. Maximum floor loading shall be () pounds per square foot.
6. Tenant shall not permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to Landlord by reason of light, radiation, magnetism, noise, odors and/or vibrations. Neither Tenant, nor the employees, agents, servants, visitors or licensees of Tenant shall place, leave or discard any rubbish, paper, articles or objects of any kind whatsoever outside the doors of the Premises. No animals or birds may be brought into or kept in or about the Premises.
7. Tenant shall not use or keep in the Premises any poisonous, corrosive, caustic, explosive, inflammable or combustible gas, fluid or substance, or use any method of heating or cooling other than that approved by Landlord.
8. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.
9. Tenant shall not use any of the common areas of the Premises for the care or maintenance of vehicles.
10. Landlord reserves the right to exclude or expel from the Premises any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of

the rules and regulations of the Premises.

11. Landlord shall have the right to prohibit any advertising by Tenant which, in Landlord's sole judgment, tends to impair the reputation of the Premises, and upon written notice from Landlord, Tenant will refrain from or discontinue such advertising.

12. Canvassing, soliciting, peddling and similar activities are prohibited in the Premises without the prior approval of Landlord, and Tenant shall cooperate to prevent same.

13. No additional locks or bolts of any kind shall be placed on any door in the Premises and no lock on any door therein shall be changed or altered in any respect. Landlord shall furnish () keys for each lock on exterior doors to the Premises and shall, on Tenant's request and at Tenant's expense, provide additional duplicate keys. Tenant shall not make duplicate keys. All keys shall be returned to Landlord upon the expiration or termination of this Lease, and Tenant shall give to Landlord the explanations of the combinations of all safes, vaults and combination locks remaining with the Premises. Landlord may at all times keep a pass key to the Premises. All entrance doors to the Premises shall be kept closed at all times and left locked when the Premises are not in use.

14. Tenant shall give immediate notice to Landlord in case of theft, unauthorized solicitation or accident in the Premises or of defects therein or in any fixtures or equipment, or of any known emergency in the Premises.

15. Tenant shall not use the Premises or permit the premises to be used for photographic, multilith or multigraph reproductions, except in connection with its own business and not as a service for others, without Landlord's prior permission.

16. Tenant shall not advertise for laborers giving the Premises as an address, nor pay such laborers at a location in the Premises.

17. Tenant shall at all times keep the Premises neat and orderly.

_____ Landlord Tenant

EXHIBIT 'F'(MEMORANDIM OF LEASE)

THIS MEMORANDUM OF LEASE, date this day of _____, 20____, by and between _____, a _____, with its principal place of business located at _____ ("Landlord"), and _____, with its principal place of business located at _____ ("Tenant").

WITNESSETH

1. That by Lease ("Lease") dated the day of _____, 20____, between Tenant and Landlord, Landlord has demised and leased to Tenant, and Tenant has leased from Landlord, the premises described on Exhibit "A" attached hereto ("Leased Premises") for a term beginning on the day of _____, 20____ ("Commencement Date"), and ending, unless sooner terminated, on the last day of the month during which the () anniversary of the Commencement Date occurs.

2. The interest of the Landlord shall not be subject to any liens or claims asserted against the Leased Premises in connection with Tenant's improvements on the Leased Premises or Tenant's use of the Leased Premises, and Tenant shall provide notice of such limitation to all contractors, subcontractors and material as required under.

3. This Memorandum of Lease is executed pursuant to the terms of the Lease and is not intended to vary the terms and conditions of the Lease.

IN WITNESS WHEREOF, the parties have caused this instrument to be duly executed and sealed as of the day and year first above written. Signed, sealed and delivered in the presence of:

LANDLORD:

Witness BY: _____

Its:

Witness

TENANT: _____

By:

Witness its:

Witness

Attest:

(CORPORATE SEAL)

Its Secretary

Retail Case Study Note Page

Office Buildings

Key to Success

Creditworthiness of Tenants(s)

Tenant Needs

Square footage
Number of offices
Number of Bathrooms
Term of Lease
Build Out Costs
Broker Commissions
Services Provided

Management

Tenants are demanding
Leases and lease negotiations are more sophisticated
Must manage expenses intently

Important Information

Building envelope, common areas, mechanicals and utilities
Parking
Location in community
Functional Obsolete
Capacity for the systems
Elevators
Traffic Counts

Office Case Study Note Page

Commercial 102 Office Lease

THIS LEASE is made this day of , 19 , by and between ,
(hereinafter referred to as "Lessor"), and , (hereinafter referred to as "Lessee"). WIT-
NESSETH: That the said Lessor hereby leases and demises unto the said Lessee the
following described premises:

TO HAVE AND TO HOLD the premises from the day of , 19 , for the term
of thereafter, the said Lessee paying to the Lessor the monthly rent of Dol-
lars

(\$) being due on the day of , 19 , which said sum has been paid and acknowledged herein,
and the remaining payments as follows:

1. The Lessee hereby covenants with the Lessor that the Lessee will pay the rent herein reserved at the times and in the manner aforesaid, and will pay all charges for gas, electricity, and water used on the premises. Should said rent or charges for gas, electricity or water herein provided for at any time remain due and unpaid for a period of ten days after the same shall have become due, the said Lessor may at Lessor's option, consider the said Lessee a tenant at sufferance and immediately re-enter upon the premises and the entire rent for the rental period then next ensuing shall at once be due and payable and may be immediately collected by distress or otherwise. The Lessee will not use or permit the premises to be used for any illegal or improper purposes, nor permit the disturbance, noise or annoyance whatsoever, detrimental to the premises or to the comfort of the other habitants of said building or its neighbors; and will not sublet or assign this lease nor any part thereof without the written consent of the Lessor.

2. The Lessee will keep the interior of the premises, and all windows, doors, fixtures, interior walls, pipes, and other appurtenances, in good and substantial repair and in clean condition, damage by fire or storm excepted; and will exercise all reasonable care in the use of halls, stairs, bathrooms, closets, and other fixtures and parts of the premises used in common with other tenants in said building which may be necessary for the preservation of the property and the comfort of the other tenants; and will also permit the Lessor or Lessor's agents or employees, at all reasonable times, to enter into the premises and inspect the conditions thereof, and make such repairs as may be necessary; and will at the expiration of said term, without demand, quietly and peaceably deliver up the possession of the said premises in good state and condition, damage or destruction by fire or storm excepted.

3. The Lessor hereby covenants with the Lessee upon the performance by the Lessee of the covenants hereinbefore set forth, that the Lessor will, during the continuance of said term, keep all the external parts of the premises in good repair; that in case the said building and premises or any part thereof, shall at any time be destroyed or so damaged by fire or storm as to render same unfit for occupation or use, said Lessor shall have the option to terminate this Lease, or to repair and rebuild the premises refunding the rents hereby reserved, or a fair and just portion thereof, according to the damage sustained, until the said premises are repaired and fit for occupancy and

use; and that the Lessee may quietly hold and enjoy the premises without any interruption by the Lessor or any person claiming under the Lessor.

4. The Lessee hereby pledges and assigns to the Lessor all furniture, fixtures, goods and chattels of the Lessee on the premises, as security for the payment of the rent reserved herein and the Lessee agrees that said lien may be enforced by distress, foreclosure or otherwise, at the election of the Lessor; and said Lessee hereby waives all rights of homestead or exemption in said furniture, fixtures, goods and chattels to which the Lessee may be entitled under the Constitution and laws of this State; and in case of the failure of the Lessee to pay the or other charges herein reserved when due, and same is collected by suit or through an attorney, the Lessee agrees to pay the Lessor reasonable attorney's fees, together with all costs incurred. This lease shall bind the Lessor and the Lessee and their respective heirs, assigns, administrators, legal representatives and executors.

5. The parties hereto waive trial by jury and agree to submit to the personal jurisdiction and venue of a court of subject matter jurisdiction located in County, State of . No action hereunder may be commenced if more than one year after the cause of action giving rise thereto has elapsed.

6. Tenant hereby waives any and all right to assert affirmative defenses or counterclaims in any eviction action instituted by Landlord with the exception of an affirmative defense based upon payment of all amounts claimed by Landlord not to have been paid by Tenant. Any other matters may only be advanced by a separate suit instituted by Tenant.

7. Lessee agrees to pay a Security Deposit of \$ to secure Lessee's pledge of full compliance with the terms of this agreement, NOTE: SECURITY DEPOSIT MAY NOT BE USED TO PAY RENT UNDER ANY CIRCUMSTANCES! Any damage not previously reported will be repaired at Lessee's expense with funds other than Security Deposit.

8. Unless specifically disallowed by law, should litigation arise hereunder, service of process therefore may be obtained through certified mail, return receipt requested; the parties hereto waiving any and all rights they may have to object to the method by which service was perfected.

9. To the extent cognizable at law, the parties hereto, in the event of breach and in addition to any and all other remedies available thereto, may obtain injunctive relief, regardless of whether the injured party can demonstrate that no adequate remedy exists at law.

IN WITNESS WHEREOF, the said parties have hereunto set their hands and seals this day of ,
19 . Signed, sealed and delivered in the presence of:

Witness "Lessor"

Witness

Witness "Lessee"

Witness

STATE OF

COUNTY OF

Before me, a Notary Public in and for the State and County, personally came to me well known and known to be the person named in the foregoing lease, and acknowledged that executed the same for the purposes therein expressed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the

day of ,_____ 20____ .

Notary Public

State of

(SEAL) My Commission Expires:

Marketing Finding Them

Distressed Properties
Vacant properties
Auctions
Brokers
Courthouse/Title Company
Tax liens
Internet
Attorneys
Direct Mail
Classifieds

Distressed Properties

Create Value
Low Rents
Low Occupancy
Low Cash Flow
Differed Maintenance
Poor Management
High Turnover

Vacant Properties

Start small
Recognize a Repositioning
Highest and best Use
Feasibility Study
Government Grants?

Finding Them

Repositioning

Reposition the property
Reposition the tenants

Two Reasons they Fail

Poor management
Running out of money

Rules for Success

Start small
Have someone on the team with experience
Lots of Money To be Made If Done Right

Auctions

www.treas.gov/auctions
www.nationalauctionlist.com
www.auctionservices.com
www.auctionguide.com
www.cwsmarketing.com

Financial newspapers
HUD IRS banks, Treasury (usa.gov)

Finding Them

Brokers

One will make you rich, two will make you wealthy three will retire you

CCIM.com

Loopnet.com

Find Commonality

This is a relationship business

Do what you say you are going to do

Make doing business with you easy

Don't be a pain in the butt

Internet

The trash can for real estat deals

Loopnet.com—granddaddy

Cmls.com

Broker Websites

Many, many, more... goggle “commercial Property listing”

Attorneys

Probate

Bank settlement

Private funding

Those that handle Eviction Notices

Finding Them

Courthouse/Title Company

County websites

Google “commercial real estate”

Tax Liens

Gold Mine

Nor much competition for Commercial Properties

Two ways to win

High interest Rate

You buy the property

Done at your kitchen table

Being done all over the world into the US

Direct Mail

-The process

Envelope

Stamp

Return Address

Letter

Headline

P.S.

Signature

Blue Ink

Finding Them

Direct Mail

The list

Claritas

Dunhill

Mellissa data

Title companies

Assessors office

Delegate, Delegate, Delegate

Classifieds

I buy Commercial Properties

Commercial

Real Estate/Income Properties

Motivated Buyer, 1031 Exchange...

Sunday Paper

Only deal with motivated sellers

Read from the bottom up

F Letters

**Commercial 102 – Prospecting Fax
Back Letter**

**FAX To
781-878-7115**

Yes Dave! – I am interested in selling my property and saving a ton of money on real estate commissions. I have filled out the information below, contact me as soon as possible.

Town/City _____ State _____ Zip _____

Telephone number _____

Property Information

Property Street Address _____

Name Of Building _____

How Many Units _____

I am asking \$ _____ For My Property

Repairs That Need To Be Made, If Any _____

How Much Are You Asking For The Property? _____

The Lindahl Group
100 Weymouth St.
Rockland, MA. 02370
Tel: 781 878-7114
Fax: 781 878-7115

Commercial 102 – Prospecting RE Broker Pocket Script

Broker Script

Hi my name is _____

I'm an investor from the Boston area, and I'm looking to buy some commercial properties in the _____ area. The types of properties we buy are B,C type properties in B,C type areas. I'm also looking for properties that have some sort of Value Added component. Is this something that you might be able to help me with?

I'm also looking for properties with a 10% or greater first year cash on cash return. What listing do you now know about that I may be interested in?

Great, can you tell me what price range per unit (or sq ft) that the B and C properties are selling for in your area?

I'm also in the process of researching your city, could you tell me where in your city that I will find the majority of these type of properties.... (would it be in the N, S, E or W)

I understand that your city is attracting a lot of new job growth, what companies do you know of that are coming into the area?

Can you tell me where the path of progress is going in your city?

Can you tell me where I do not want to collect my rents at night! (Where are the D neighborhoods)

Could you give me the names of a couple of good management companies in your area that specialize in these types of properties?

Thank you

Commercial 102 Banker Script

Hi,

Can you please connect me to the commercial loan division?

I'm a Real Estate Investor and I'm looking to buy commercial real estate properties in

your area. I'm interested in finding out what types of programs you have to offer so I can

do my analysis. What' are the current terms that you are offering for a "X" type property.

Here are the things you want to find out. The Interest Rate, LTV, Amortization Schedule,

length of loan, prepayment (defeasance or yield maintenance), recourse or non-recourse,

DCR they like to see, do they have any interest only programs, do they allow secondary

financing(2nd mortgages).

Commercial 102 – Prospecting Seller Script – Apartments

Hello, Platinum Group Investors can I help you?

Yes, I'm interested in selling my property?

Your Interested in selling your property great! How did you hear about us?

I received a letter in the mail.

A letter, excellent. Oh, by the way, my name is Dave, what's yours?

(All future answers are a repeat of the end of the question with a positive affirmation. See example after next 3 questions)

John Wannasell

John, what's your number there, just in case?

508-555-5555

508-555-5555 terrific, how many units are on the property?

There are 14 units.

14 Units, excellent. How soon are you looking to close?

I'd like to close with in 30 days.

With in 30 days, great! Can you tell me about your property?

What do you want to know?

Can you tell me how many units?

What the unit mix is (how many 1 bedrooms, 2 bedrooms, 3 bedrooms..)?

What are you getting for rents for these units?

How many units are vacant at this time?

Who pays for the utilities, you or the tenants? Heat, electric, water

Do you have lead paint certificates?

What type of repairs need to be done to the property? Are

the tenants on 30 day or one year leases?

How much are you asking for your property?

Answer A - \$250,000

\$250,000 good. How did you arrive at that value?

Answer B – I don't know why don't you make me an offer

Well Mr. Seller, you called me to sell your property, before I come out to take a look at it, I need to have some idea as what your asking for it so I'm not wasting your time and your not wasting mine. That sounds fair, doesn't it?

Yes

If I were to offer you all cash and close quickly, what is the least amount that you would except for the property.

Is that the best you can do?

How much do you owe on the property?

Is your loan assumable?

Will you sell me your property for what you owe on it?

What time would be good for you to show it to me today, 2 or 4 o'clock?

Commercial 102 LAWYER SCRIPT 1:

“Hello, my name is X, representing X company. I got your name from X. They felt you could help us out....”

“We’re a real estate investment company working out of X. Our strategy is to buy several properties in emerging markets. We’re creating our team in your market and are looking for a local attorney to represent us. Do you have a few minutes to answer some questions?”

“We focus on _____commercial property types. Do you have experience with these types of transactions?”

“How many have you done?”

“Do you have a standard Purchase and Sale contract from your state that you use?” “How much do you charge to create and review a P & S?”

“Will you be present at the closing or a representative from your firm?” “Do you have experience negotiating with lenders?”

“How much do you charge to negotiate with banks?” “At what rate?”

“As I mentioned, we purchase several properties in each market. We’d want you to represent us in all of these transactions. We might need you to respond quickly. Can we count on you to do that?”

“Can you give us the name of strong Litigator?”

“Can you recommend a property management company?”

“Can you refer us to any prominent people in the area who might help us find other properties?”

“Would you mind giving us the names and contact information of a few of your clients who own similar properties?”

“We’ll be coming to town in X for two days. Can we get together at that time?”

“Thanks for your time.”

Click

ECONOMIC DEVELOPERS SCRIPT

THIS IS NOT MEANT TO BE A VERBATIM SCRIPT. AS WITH ALL CONVERSATIONS, PLAY IT AS IT LAYS. MAKE IT YOURS. GET AS MUCH INFO AS YOU CAN.

—After you have gone into AreaDevelopment, SiteNet, and Expansion Management, and the other websites, you should have enough information to talk to Economic Developers. It's a good idea to have an understanding of that area's incentives, its tax offerings, major industries, and businesses that have recently entered that market. It will help you get more info.

"I am an investor from _____. The name of my company is _____. We focus on the different types of commercial real estate.. We're considering have a number of properties in your area. Can you give me a couple of minutes of your time to answer a few questions?"

--Not all economic developers are city officials. If you got this name from SiteNet.com you won't know if he is a city official or not. So ask,

"Are you a member of an Economic Development Committee or Planning Board?"

"Where?"

"What's going on in your market?"

"Where is the path of progress?"

"How long has it been going on?"

"How long do you see it lasting?"

"How's the relationship between the business community and the state and local government?"

"Between labor and management?"

"Will there be any new infrastructure for transportation?"

"Where?"

"When?"

---It might not be a bad idea to mention one or two incentives and tax breaks. But tie it in with the conversation. Don't throw it out there to sound smart...or else you'll sound stupid.

"X, Y, And Z companies have recently come into your area. Do you know of any other companies planning to come in?"

---If yes,

"What is the time frame? When do you expect production to begin?"

"How many jobs will be created?"

"Has the population been increasing rapidly?"

"Is the housing market growing quickly?"

"What's the unemployment rate?"

—If it's a state or county economic developer

ask, "Which cities are growing fastest?"

"What's going on there?"

"Are there any bond offerings taking place or in planning?"

"Are you familiar with their Economic Development Committee's Master Plan?" "Are they sticking to it?"

—If you are talking with the city's Economic Developer or City Planner, ask,

“Can you tell me about your Master Plan?”

“How’s it going? Have you been able to meet your goals?”

“What industries are coming in?”

“What’s the path of progress?”

—Then it is just a repeat of the above.

—These same questions can be asked of the Chamber of Commerce as well. Also, the Departments of Commerce and Labor.

—Remember, WHO? WHAT? WHEN? WHERE? HOW? WHY?

—Get as much demographic info as you can. Ask him where you can find those numbers. This is important because the Census Bureau’s information is a few years old and not real helpful for an emerging market.

—Google the city. Read the local newspapers.

Start With Written Goals & Objectives

- ⇒ **Be Specific**
- ⇒ **Act As if**
- ⇒ **Emotional Reason**
- ⇒ **Set A Deadline**
- ⇒ **Review Daily**

Business

- 1.**
- 2.**
- 3.**

Financial

- 1.**
- 2.**
- 3.**

Family

- 1.**
- 2.**
- 3.**

Health

- 1.**
- 2.**
- 3.**

Getting The Money

The First Chunk

If you are in growth mode, you will want to add leverage to your property. The leverage with the least cost associated with it is leverage from lending institutions.

For Commercial Real Estate, you will typically get your first 50—75% from the following lenders.

Lenders:

Conventional—property needs to be 85% occupied for the last six months.

Freddie/Fannie—government/private agencies that buy loans from lenders, pool them to create financial vehicles and sell them to investors. This allows the lenders to make more loans.

Conduits—financial companies that lend money to create financial vehicles to sell on the secondary markets

FHA—government agency that lends money to investors. The investor must fulfill certain requirements, usually resident income requirements, to obtain the funding. Known for being a long, tedious process.

Lending Brokers—companies or persons who, for a fee, will market your deal to find the lender best suited to capitalize your deal.

Rogue Lenders—one off lenders who lend from their own portfolio

Term Sheets—contract between you and the lender. Details all of the terms and conditions of getting the money. Always negotiable.

Mezzanine—interim financing that is used when a property is below stabilization and doesn't qualify for Conventional financing.

Owner Financing (27 Ways)

Three Step Formula

1. Find the Problem
2. Fix The Problem
3. Make Offer

Make The Offer

1. Principle to be paid in five Years
2. Principle and simple Interest to be paid in five years
3. Monthly Simple Interest Payments, Principle Balloon in Five Years
4. Principle and Interest Paid Monthly Paid in five Years

Owner Participation

Owner Gets Equity
 Owner Refi—Stays on Deed
 Seller's Other Property As Collateral
 Master Lease Option
 Repair Allowance
 Sell off Land/Timber
 Assume Mortgage
 Subject To

Other Sources

Self Directed IRA
 Passbook Account
 Line of Credit
 Gov't Grants
 Friends Family
 Hard Money Lenders
 Private Money

Private Money

Do it Right!!

One Person—No SEC

Two People—SEC

No General Solicitations

Prep Existing Relationship

Create your elevator pitch and give it as often as possible. The goal is to put yourself in a situation where you give that pitch at least two times during the week.

Where:

Network—your own social groups

Business groups

Changer of commerce

BNI

Charity Organizations

MeetUP.com

Angel Investor Networks

Elevator Pitch

Answer These Questions W/ Your Pitch:

- ⇒ **Who You Are**
- ⇒ **Why You Are Like Them**
- ⇒ **What You Do**
- ⇒ **How/What You Can Do To Benefit Them**

Elevator Pitch

Hi, My name is _____. The name of my company is _____. We buy real estate in emerging markets. They produce good cash flow with a strong back end. I am always looking for partners (PAUSE) and I am willing to give you an equity position. If you would like more detail, I would be happy to talk with you.

Presentations

Lunch Presentation

One/One –Group
Business Plan
Credibility
Presentation

Lunch Presentation

Group
Getting Them There

Self/ Other's Groups

Setting Up the Room

Presentation
Emerging Market
Self Directed IRA
R.E. Syndication

Who's Giving You The Money?

Debt Partners—provide the funding for a promise to pay in the form of a note or mortgage on the property. Do not participate in the equity in the deal.

Equity Partners— participate in the cash flow and equity of the deal.

Type of Offerings

Public—Very expensive
Very time consuming
Much more disclosure

Private—Pre-existing relationship
Less expensive
Accredited Investor

Accredited Investor—a person or persons qualify as an accredited investor if he or she earns

200K per year or...

300K per year in combination with a married spouse
or....

He/ she or they have 1 Million Net-worth (not including equity in primary residence)

Sophisticated Investor—does not qualify as accredited but has prior business or real estate knowledge. Can not have more than 35 sophisticated investors in a deal.

Schedule D, rules 504, 505, 506, 507 cover private placements

The Lindahl Group Equity Services, LLC Qualification Form

**Please fill out and fax to
781 878 7115**

Fax to: 781-878-7115 To: The Lindahl Group Inc. Address: 100 Weymouth Street Bldg D Rockland, MA 02370 Phone: 781-878-7114 Email: <u>dave@real-estate-fortune.com</u>	From: _____ Date _____ Address: _____ Phone: _____ Fax: _____ Email: _____
--	---

I am interested in exploring real-estate opportunities. I understand I must meet either of the following income (section A) or net worth requirements (section B): and have significant investment, business and financial experience.

A. Income: My annual net income was at least \$200,000 in each of the last two years, or my joint income with my spouse was in excess of \$300,000 in each of those years, and I have reasonable expectation of the same income level in this year.

B. Assets: My current individual net worth or joint net worth with my spouse is at least \$1 million as demonstrated by the following information.

Amount interested in investing , check space below

☐ \$50,000 – 100,000
☐ \$100,000 - \$500,000
☐ \$500,000 - \$1,000,000
☐ \$1,000,000 +

This is not an offer to sell or solicitation of an offer to purchase an investment or security. This information relates to possible real estate opportunities for qualified purchasers who have established an existing substantive relationship with The Lindahl Group. Natural persons qualify as investors by virtue of such pre-existing relationships and by proof of business experience, income and net worth.

I/we hereby certify the above is true and correct.

Signature

Date

Signature

Date

The Big Bonus

Acquisition Fees!

1—5 % of Purchase Price

Purchase Price	\$1,000,000
Acquisition Fee	3%
Dollar Amount	\$30,000 at closing!

Three methods of being paid in a real estate deal

1. Acquisition Fees
2. Cash Flow
- 3 Disposition Equity

Rules of the Road

50/20 Rule—50% of the people who say they will give you money won't when you need it. Of the other 50% that intends to....20% will fall out before closing.

Over Subscribe—get more commitments than you think you need.

Create Urgency—let your investors know as soon as the money starts coming in

Communicate with investors often

Tell Bad News Fast—be transparent

Be Conservative— don't be aggressive with your projections

Storage

Fastest Growing Sector of commercial Real Estate !

Why Storage?

Times of Transition—Perfect Storm

Economy—people losing their houses to foreclosure are putting their property into storage

Baby Boomers—spent years collecting, now downsizing, need a place for their stuff.

Echo Boomers—were taught to use storage by their parents

Diversified Portfolio—30% of your portfolio

Who's Renting Now!!

Foreclosed Home Owners

Apartment Owners

College Students

Divorce

Landscapers—Contractors

Home Sellers

Boomers Downsizing

Home Buyers.....

Lindahl Laws

3 Mile Radius—the supply should not be more than 6.25 sq ft per capita

Air Conditioning—have 30% air conditioned units

A, B type Properties—REITs by these

RV, Boat Roof Tops—Not many have this, good returns

Always Gated—security, ability to lease through a kiosk system

Getting The Deal

- ⇒ Direct Mail—see the marketing section. Get your list from the local Self Storage Association
- ⇒ Business Brokers—there are brokers who will specialize in Storage
- ⇒ Classified Ads—commercial RE Section and the business opportunities ad
- ⇒ I Buy Self Storage—put this in the classifieds
- ⇒ Cruising for Big Profits—cruise your neighborhoods but know your supply numbers
- ⇒ Networking at REIA Clubs

Advantages of Storage

- ⇒ Hassle Free Cash Flow
- ⇒ 3 Visits a Year! - number of times the average tenant visits their unit
- ⇒ Lower Break Even—in the 50's. Lowers the risk
- ⇒ No Tenants, Toilets— low maintenance fees
- ⇒ Low Maintenance—see above
- ⇒ In Your Backyard—they are everywhere
- ⇒ Set it and Forget It

Easier Management

- ⇒ Easy make ready
- ⇒ No Mike Tysons—walls made of concrete
- ⇒ Websites
 - ⇒ Gives Layout
 - ⇒ Sizes
 - ⇒ Pricing
 - ⇒ Availability
 - ⇒ Takes Reservations!
 - ⇒ Rents Trucks!

Easy Management Call Centers

Reduce property manages hours
 Never miss a call from a prospect or lead
 Increase over all CASH FLOW
 Connects to Web based PM program and Kiosk

Easy Management Web Sits/ Internet

Review your facility from anywhere in the world
 Review daily rental activity
 How any move ins/outs
 Management summary at any time

Profit Centers

- ⇒ Truck Rentals
- ⇒ Propane Fill Up
- ⇒ Boxes
- ⇒ E-bay Center
- ⇒ Business Center
- ⇒ Mail Boxes
- ⇒ Fed Ex
- ⇒ Wine Storage
- ⇒ Document Storage

Storage Case Study

Note Page

Wholesaling

Step- By– Step Plan

Find The Property

- Bird Dogs (Who?)
- Direct Mail

Run The Numbers

Determining Strike Price

Maximum Allowable Offer (Strike Price) - rule of thumb, start at 10% below Strike Price

How Much Will You Leave On The Table– how motivated will you make your buyer to buy?

Step- By– Step Plan

Need To Know Buyers Parameters

- Property Type
- Property Class
- Cap Rate
- Cash/Cash Return
- Equity
- Ability to Close Quickly

Fast Cash Plan

Wholesale the deal—30 –50K

- Get Control– Get Contract
- Must have permission to show
- “Motivated Anxious cash to close quick sale”-Phone rings and you create a buyers list! Qualify the buyer
- If I come across the right opportunity how much cash can you get together in a short period of time?
- Proof of funds
- Contract 1 you + Seller = 720K
- Contract 2 John Investor + You = 770K

Wholesaling

Step- By– Step Plan

Create Your Buyers List

Rule: 5 Buyers For Each Property Type

Put them in a Contact Mgt System

Note Book

Act

Gold Mine

Put Ad in Classifieds

Go to Local Reia's

Call Ads in Classifieds

Create squeeze Page

BOMA Meetings

Broker Referrals

Fast Cash Plan

Double Close

Wholesale the deal—20 –50K

- Contract 1 You + Seller = 720K
- Contract 2 John Investor + You = 770K
- Dave the rehabber brings 770 to title co
- Seller gets 720K
- YOU get 50K
- CASH CHECK!!!!
- \$\$\$\$\$\$ is made by your signature!
- Create win/win

Wholesaling

Benefits of Wholesaling

- ⇒ Quicker Payoff For Your Efforts
- ⇒ No Risks , No buying, No Selling, No Income Verification etc...
- ⇒ High Demand By Investors

Costs of Wholesaling

May Not Be Able To Maximize The Profits Of The Deal

Benefits of Wholesaling

- ⇒ 20—50K—How many can you do a year
- ⇒ (10?) 200—500K!
- ⇒ Are there enough out there?
- ⇒ How much time? 8-10 hours a week!
- ⇒ Financial Freedom

Wholesaling Recap

- ⇒ Property Under Contract
- ⇒ Contact Buyers List
- ⇒ Sell Piece of Paper
- ⇒ Cash Check
- ⇒ Repeat Step One

Due Diligence Checklist

Property Name _____ **# Units** _____ 1 ____ 2 ____ 3 ____

Address _____ **City** _____

State _____ **Year Built** _____ **Type A** ____ **B** ____ **C** ____

Current Manager _____ **Telephone Number** _____

Financials

	Date Received
Annual Operating Statements (2 Years)	
Monthly Operating Statements	
Year To Date Operating Statement	
Rent Roll last two years	
Last Three Month Bank Deposits	
Budget Forecast	
Existing Loan Documents	
Security Deposit Account Statement	
Utility Deposits	

Operating Information	
Copy of all Lease types (all leases delivered at closing)	
Concessionary Rents	
Lease Expiration Report	
Utility Bills (2 Years) Water, Sewer, Gas, Electric, CATV, Ethernet, Phone	
Property Tax Bills (2 Years)	
Service Contracts (all currently under contract: trash, exterminating, maintenance, laundry, pool, elevator...)	
Advertising Contracts	
Payroll Register (employment contracts)	
Operating manuals (phone, computer, fire system, etc.)	
Insurance: Policy (premium disclosure)	
Insurance: Claim History (past 3 years)	
Insurance: Carrier Risk Assessment	
Miscellaneous Agreements (Vending, Pay Phone, etc.)	
Capital Improvements and Maintenance History (3 years)	
Incomplete Maintenance Requests (last 3 months maintenance requests)	
Yellow Pages Listing Contract	
Credit Bureau Contract	
Pet Policy	
Management Contract	
Commission Agreements	
Rent.com review	

Legal and Physical Information

	Date Received
Deed	
Title Policy	
Last Sale Price/Date	
Tax Assessment: Land/ Building	
Survey	
Architectural Plans	
Site Plan	
Inventory of Personal Property	
Tools/ Supplies Inventory	
Business License	
Zoning Certification	
Building Code Compliance Letter	
Certificate of Occupancy	
Rental Ordinances	
Litigation History	
Tenant Estoppels (optional at closing)	

Third Party Information

	Date Received
Appraisal	
Environmental Surveys - Phase I/Phase II if necessary	
Engineering Report	
Fire System Inspection Reports	
Elevator Maintenance Report (if applicable)	
Boiler Inspection Report	
HVAC Inspection Report	
Lead Paint- inspection reports/ tenant waivers/ history	
Mold- inspection reports/ tenant waivers/ history	

Market Information

	Date Received
Market Survey (3-5 nearest competitors)	
Existing Competitive Supply Surveys	
Future Competitive Supply Forecast	
Pictures – Aerial/Ground	
Area Map	
Apartment Association	
Apartment Guide Listing	
Copies of All Advertising, Brochures, Floor Plans	
Demographic Report: Housing, Income, Employment Three radii: 1 mile, 3 miles, 5 miles	
Traffic Study and/or Road Improvement Plans	
Neighborhood Survey: shopping, schools, employers	
Crime Report	

Hotels

- ⇒ Bed and Breakfast
- ⇒ Motel
- ⇒ Economy
- ⇒ Business
- ⇒ Leisure Travel
- ⇒ Boutique
- ⇒ The Star System

Key Points

You Have Entered A Business

Food Service—Catering

Restaurant

Variety Store

Why Franchise?

World wide reservations system

Name recognition

Piggy back advertising

If Buying A Franchised Property

Read Franchise Agreement Carefully

Will Franchise Transfer

Is There A Charge To Transfer

Check In and Stay for A week... Observe

Tenants Do Not Pay Expenses, Owners Do

Hotel Case Study

Notes Page

Management

Getting A Good Management Co.

IREM.org—Institute of Real Estate Management

ARM—Accredited Residential Manager—handles smaller multi-family units

CPM— Certified Property Manager—usually specializes in one or two forms of commercial properties

Search for the city/state that you want to do business in

Get the contact information and begin to interview.

Profit/Loss—A monthly statement that you want to see delivered in a “trend” report, which means you want to see all of the previous months (up to 12) so you can see the trends happening in the financials in the property.

Executive Summary—gives a summary of Income, Expenses, and Operations of the property.

Variance Report—a report that tells you what items of the budget have come in 10% higher or lower for any given month

When Interviewing a company, you want them to provide you with these key reports:

- ⇒ Management Agreement—completely negotiable
- ⇒ Marketing Plan— tells you how they plan on keeping your property full
- ⇒ Retention Plan—tells you how they plan on keeping your tenants
- ⇒ Budget— forecast of income and expenses

Three Keys to Management

- ⇒ Lease Up
- ⇒ Retention
- ⇒ Collections

Management

Lease Up

For Rent Signs—change every 2 –3 weeks

Flyers And Rental Guides—handed out to local business and human resource departments

Classified Ads—most expensive form of advertising, may or may not be effective....track results

Internet—craig's list, postlets....low cost, effective

Referrals– get these from happy tenants. Reward them

Leasing Agents/Brokerage companies—will cost a percentage of the lease

Retention

Good Service—handle work orders quickly. Respond to tenant requests with in same day or 24 hours. Schedule meeting with maintenance, complete work, follow up with phone call to ensure job done to tenants satisfaction

Good CAM—Keep the Common Area Maintenance looking good. You tenants businesses depend on it!!

Collections

Invoice—send an invoice a week before the beginning of the month for the rent

Early Bird– give a discount for early payment

Late Fees—always charge

By the 15th—should be 90% collected by the 15th of the month

5% - should have less than five percent outstanding at the end of the month

Zero Out– this is management “Nirvana”

93 Questions To Ask Your Next Management Company

1. I own a ____-unit property in _____. Would you be interested in managing it?
2. How long have you been in business?
3. How many buildings of the type and size of my property do you currently manage?
4. What is the mix of type of properties in your portfolio: Single-family, small multi-family, larger multi-family, retail, industrial, commercial?
5. How many total units do you presently manage?
6. Do you manage any units near my property? If so, exactly where are they so I can drive by?
7. Have you or your staff been accredited or certified by the Institute of Real Estate Management or the National Association of Residential Property Managers?
8. What local or regional property management related organizations do you belong to?
9. What industry periodicals do you and your managers subscribe to and read?
10. Do you have a company code of ethics?
11. If not, will you agree in writing to abide by IREM and NARPM Codes of Ethics (http://www.irem.org/i02_about/html/CPM_Code.html and http://narpm.org/?page=narpm_ethics)?
12. Has your firm been sued or been in arbitration with one of your owner/clients in the last five years? If so, please describe the situation and how it was resolved.
13. How many people in your company hold state Property Manager's licenses? What are their names?
14. Would one of them be specifically assigned to my property? Which one?
15. What special training do your licensed managers receive at your company?
16. Do you have an employee training manual?
17. Do you have a company policy and procedures manual I can read?
18. If you managed my property, what additional staff would you hire, if any? If none, how would you organize your work to accommodate my property?

19. On what schedule will you or your off-site management staff visit and inspect the property?
20. Would you use an on-site manager for this property? If so, will you pay their salary, taxes, and insurance, or will I? How much?
21. What will be the on-site manager's (if any) duties? Will he or she do turnover cleaning and repair?
22. Describe any training you offer the on-site manager.
23. Are there any books you require your managers, both on-site and off-site, to read?
24. Can I interview and approve of the on-site manager? Can I determine if they are retained?

25. Are there any up-front fees I am expected to pay at the beginning of our agreement?
26. Would you provide a written management plan at the start?
27. What fee do you charge for finding and installing a new tenant? If a tenant moves out within a few months, will you waive it for the next tenant? If you ever have to evict a tenant; will you waive the lease-up fee? What if I find the tenant?
28. What percentage of gross income do you charge for monthly management?
29. What is included with the monthly management fee?
30. Is advertising included in the management fee?
31. For moneys held in your client trust account, is interest paid? To whom does the interest accrue, me or you?
32. Would you consider a net/net lease, whereby you lease the property, subleasing to the tenants, pay the operating expenses, and just pay me a flat fee? If so, what rate would you propose?

33. Which property management software do you use?
34. Does your software allow you to project an annual operating budget for your properties, and then compare the actual performance to the budget?
35. Please submit samples of the types of monthly and quarterly reports it generates.
36. Will you produce my IRS Schedule E or Form 8825 at the end of the year?

37. What do you typically do to prepare a unit for re-renting (turnover)?
38. How much time do you take to prepare a unit for re-rent? Would you commit to that in writing?
39. Do you have your own repair staff? If so, what are their qualifications, and what types of work are they NOT qualified to do (for which you have to hire outside contractors)?
40. If you use outside contractors for maintenance and repair, which ones?

41. What is the hourly rate charged for work performed by your repair staff?
Contractors?
42. Can we pay a flat fee for turnover expenses, such as cleaning, carpet cleaning, and painting, instead of an hourly rate?
43. When outside maintenance and cleaning contractors are used, will you charge us an "override" on their bills? If so, how much will this be?
44. Do you inspect the work of all contractors and repair persons, and not pay them until they get it right?
45. Over what amount do you typically seek permission of the owner before having repairs or done?
46. Who will handle the landscaping and lawn maintenance for this property?
47. The building's current rents are \$_____ for a ____ bedroom unit that's _____ square feet. What do you feel is the current market rent for my units in this submarket or market area? How do you know that?
48. If I wanted you to raise it to the market rent, how soon and on what schedule should we raise them?
49. Should I accept Section 8 tenants? If so, explain your experiences working with the local housing authority and Section 8 tenants.
50. If I accept Section 8 tenants, what would you suggest the rents should be for those tenants?
51. What security deposit do you propose charging? Will this be collected all up-front, or will you allow the tenants to pay it over time?
52. Do you propose collecting a "last month's" rent? Will this be collected all up-front, or will you allow the tenants to pay it over time?
53. If I have a vacancy, how long do you think it will take to re-rent it at the current rent? Market rent?
54. Would you want to offer concessions to fill a vacancy in the current market? What type, and how much will they cost?
55. What is the longest period of vacancy you've experienced in the last year?
56. What hours will your staff be available to show vacancies to prospective tenants?
57. What is your typical advertising budget for filling a vacancy in the current market?
58. Where would you advertise vacancies for my property?
59. Will you post a sign at the property? If you fill the vacancy, will you leave the sign up until move-in?
60. Do you have an Internet site, or advertise vacancies on an Internet site? If so, do you provide pictures and other information? Please provide the Web address.
61. Please submit a sample classified advertisement you would use to promote my property.

- 62. If a tenant must be evicted, will you handle it yourselves, or will you contract it out? To whom?**
- 63. If a tenant must be evicted, what charge will I pay?**
- 64. How many evictions have you performed in the last year?**
- 65. What do you do to recover costs and fees and unpaid rent from evicted tenants? Collection agency? Small claims court? Who pays the fees for these?**
- 66. Do you recommend month-to-month tenancies for this property or leases?**
- 67. Do you allow tenants to pay their rent by automatic withdrawal and/or credit card? If so, what are the fees for this service, and who pays them?**
- 68. Would you recommend offering tenants a discount for early payment of rent?**
- 69. What late fee will be charged to the tenants? Is that credited to me or you?**
- 70. What is your procedure if a tenant's rent check is returned as unpaid?**
- 71. What is the returned check charge? Is that credited to me or you?**
- 72. Describe your tenant screening procedure and tenant screening qualifications.**
- 73. Who performs the screening service, you or a third party agency?**
- 74. What is the tenant screening charge charged to me? The prospective tenant?**
- 75. How many previous landlords do you (or the screening agency) check with when screening a tenant?**
- 76. Do you visit a tenant's existing residence to see what their lifestyle is like?**
- 77. For my review, please submit a copy of your tenant screening standards, application, rental agreement, and move-in/move-out checklist.**
- 78. Please submit a copy of your standard Property Management Agreement.**
- 79. If I find something in the Property Management Agreement objectionable or wish to add to it, can we modify it to suit my needs?**
- 80. How much notice to you require for terminating the Property Management Agreement?**
- 81. Do you require us to list the property with your company when it comes time to sell?**
- 82. What are your normal business hours?**

- 83. Who should tenants contact after normal business hours?**
- 84. Is there a number tenants can call for information after hours? Is there an automated voice system allowing them to get info about a property?**
- 85. Do you have an email address? If so, how often do you check it?**
- 86. Do you encourage tenants and prospective tenants to contact your company by email?**
- 87. Is it possible for me to contact your company after hours?**
- 88. If I have a problem with an employee, what procedure should I follow?**
- 89. Will you give me either your cell phone number or home number?**
- 90. What are some of the reasons we should use your company?**
- 91. What separates your company from all the others...why should I hire you?**
- 92. Describe some of the weaknesses at your company that you hope to improve in the future.**
- 93. Please list three of your current clients who have buildings like mine. [Owner will ask the customers the following questions:**
- a) Have you ever had a problem with the company and if so, what kind?**
 - b) What do you particularly like about this company?**
 - c) What is the worst thing I'd find if I choose to have the company manage my properties?**
- d) Do you feel you can recommend this company to me?**

Commercial 102 Property Management Agreement

This Agreement is made this **January 12, 20__** by and between _____ ("Owner") and _____ ("Agent").

1 APPOINTMENT OF MANAGING AGENT

1.1 APPOINTMENT AND ACCEPTANCE

Owner hereby appoints Agent as Agent of Owner to lease and manage the Premises upon the terms and conditions provided herein. Agent accepts the appointment and agrees to furnish the services of its organization for the leasing and management of the Premises.

1.2 DESCRIPTION OF PREMISES

The property to be managed by Agent under this Agreement (the "Premises") is known as _____ Located at _____.

1.3 TERM

The term of this Agreement shall be from **January _____, 20__** to **December 31, 20-**, and thereafter shall be automatically renewed from year to year unless terminated as provided herein.

1.4 ASSET MANAGER RELATIONSHIP

Agent understands that Owner may employ an Asset Manager to supervise Agent, review the Premises' expenses, manage the Owner's bank account and ensure the accuracy of the financial accounting.

2 COLLECTION OF RENTS AND OTHER RECEIPTS

Agent shall collect (and give receipts for, if necessary) all rents, charges, security deposits and other amounts receivable on Owner's account in connection with the management and operation of the Premises. All such receipts shall be deposited into the Owner's bank account. Agent shall at all times make best efforts to collect all amounts receivable. All monies collected shall be deposited into Owner's bank account on the same day as they are collected.

3 ACCOUNTING AND REPORTS

Agent shall account for the Premises' financial transactions using the Owner's accounting system. All financial transactions, such as rents collected and bills received, shall be recorded on the day that they occur. All invoices not reported to owner within a 30 day period are to be paid by the agent, unless otherwise agreed upon by agent and owner.

4 LEASING

4.1 AGENT'S AUTHORITY

Agent is authorized to and shall use best efforts to advertise, promote, market and lease available space in the Premises to desirable residents at the highest possible rental rates. Agent shall perform all duties under each resident lease so that such lease remains in full force and effect. Agent is authorized to negotiate, prepare, and execute all leases, including all renewals and extensions of leases and to cancel and modify existing leases. Agent shall execute all leases as agent for the Owner. No lease shall be in excess of 1 years) without written approval by Owner. The format of the lease shall be agreed upon by Owner and Agent.

4.2 RENTAL RATES

Owner and Agent shall mutually establish and change or revise all rents, fees, or deposits, and any other charges chargeable with respect to the Premises.

4.3 ENFORCEMENT OF LEASES

Agent is authorized to institute, in Owner's name, all legal actions or proceedings for the enforcement of any lease term, for the collection of rent or other income from the Premises, or for the evicting or dispossessing of tenants or other persons from the Premises. Agent is authorized to sign and serve such notices as Agent deems necessary for lease enforcement, including the collection of rent or other income. Agent is authorized, when expedient, to settle, compromise, and release such legal actions or suits or reinstate such tenancies. Any monies for such settlements paid out by Agent shall not exceed \$1000 without prior approval by Asset Manager or Owner.

5 EMPLOYEES

5.1 AGENT'S AUTHORITY

Agent, is authorized to hire, supervise, discharge all servants, employees, contractors, or other personnel necessary to be employed in the management, maintenance, and operation of the Premises. The number of personnel, selection criteria and their compensation shall be mutually agreed upon between Agent, Asset Manager and Owner. All employees shall be deemed employees of the Owner. Owner shall be responsible for compliance with all applicable state or federal labor laws.

5.2 OWNER PAYS EMPLOYEE EXPENSES

All wages and fringe benefits payable to such employees, and all local, state, and federal taxes and assessments (including but not limited to Social Security taxes, unemployment insurance, and workers' compensation insurance) incident to the employment of such personnel, shall be paid by Owner.

6 MAINTENANCE AND REPAIR, GENERAL MANAGEMENT

6.1 ORDINARY MAINTENANCE

Agent is authorized to make or cause to be made, through contracted services or otherwise, apartments ready for lease according to the criteria set forth by Owner, ordinary repairs and replacements reasonably necessary to preserve the Premises in its present condition and for the operating efficiency of the Premises, and all alterations required to comply with lease requirements, governmental regulations, or insurance requirements. Agent shall also be proactive in anticipating upcoming repairs or maintenance issues and addressing them before they cause damage to the Premises (example: snake sewer lines on a regular basis). Upon Owner's or Asset Manager's prior written approval, Agent is also authorized to decorate the Premises and to purchase or rent, on Owner's behalf, all equipment, tools, appliances, materials, supplies, uniforms, and other items necessary for the management, maintenance, or operation of the Premises. Such maintenance and decorating expenses shall be paid by Owner. This section applies except where decorating and/or maintenance are at tenants' expense as stipulated in a lease. Agent shall provide make, model and serial numbers of all new equipment purchases to Owner. Agent shall ensure that the House Rules and Regulations, attached to this Agreement, are enforced at all times.

6.2 EXCEPTIONAL MAINTENANCE EXPENSES

The expense to be incurred for any one item of maintenance, alteration, refurbishing, or repair shall not exceed the sum of **\$1000**, unless such expense is specifically authorized by Asset Manager or Owner or is incurred under such circumstances as Agent shall reasonably deem to be an emergency. In an emergency where repairs are *immediately* necessary for the preservation and safety of the Premises, or to avoid the suspension of any essential service to the Premises, or to avoid danger to life or property, or to comply with federal, state, or local law, such emergency repairs may be made by Agent at Owner's expense without prior approval provided that Agent has made at least one attempt to contact Asset Manager or Owner. After the emergency, Agent shall notify Asset Manager or Owner as promptly as possible.

6.3 GENERAL MANAGEMENT

Agent shall make best efforts to manage and operate the Premises so as to maximize gross income collections and net operating income. Agent shall make these best efforts while maintaining the Premises in good physical condition and without material deferred maintenance, and providing prompt and high quality service to tenants. Agent agrees to market the premises as deemed necessary in any economic climate. Any concessions and/or rent reductions are to be approved by asset manager and owner.

7 CONTRACTS, UTILITIES AND SERVICES

Agent is authorized to negotiate contracts for *nonrecurring* items of expense, not to exceed **\$1000** unless approved by Asset Manager or Owner, and to enter into agreements in Owner's name for all necessary repairs, maintenance, minor alterations, and utility services. Agent shall, in Owner's name and at Owner's expense, make contracts on Owner's behalf for electricity, gas, telephone, fuel, or water, and such other services as Agent shall deem necessary or prudent for the operation of the Premises.

8 RELATIONSHIP OF AGENT TO OWNER

The relationship of the parties to this Agreement shall be that of Principal and Agent, and all duties to be performed by Agent under this Agreement shall be for and on behalf of Owner, in Owner's name, and for Owner's account. In taking any action under this Agreement, Agent shall be acting only as Agent for Owner, and nothing in this Agreement shall be construed as creating a partnership, joint venture, brokerage or any other relationship between the parties to this Agreement except that of Principal and Agent, or as requiring Agent to bear any portion of losses arising out of or connected with the ownership or operation of the Premises. Nor shall Agent at any time during the period of this Agreement be considered a direct employee of Owner. Neither party shall have the power to bind or obligate the other except as expressly set forth in

this Agreement, except that Agent is authorized to act with such additional authority and power as may be necessary to carry out the spirit and intent of this Agreement.

9 AGENT'S COMPENSATION

As compensation for the services provided by Agent under this Agreement, Owner shall pay Agent 2% of the total monthly gross receipts collected from the Premises, payable by the 5th day of the following month for the duration of this Agreement. Payments due Agent for periods of less than a calendar month shall be prorated over the number of days for which compensation is due.

"Gross receipts" includes all rents and other income and charges from the normal operation of the Premises, but shall not include interest on security deposits, decoration allowances or similar one-time payments provided by vendors, or income arising out of the sale of real property or the settlement of fire or other casualty losses and items of a similar nature.

10 STRUCTURAL CHANGES

Owner expressly withholds from Agent any power or authority to make any structural changes in any building, or to make any other major alterations or additions in or to any such building or to any equipment in any such building, or to incur any expense chargeable to Owner other than expenses related to exercising the express powers vested in Agent through this Agreement, without the prior *written* consent of Owner.

However, such emergency repairs as may be required because of danger to life or property, or which are immediately necessary for the preservation and safety of the Premises or the safety of the tenants and occupants thereof, or required to avoid the suspension of any necessary service to the Premises, or to comply with any applicable federal, state, or local laws, regulations, or ordinances, shall be authorized

pursuant to paragraph 6.2 of this Agreement, and Agent shall notify Asset Manager or Owner appropriately.

11 ASSIGNABILITY

This Agreement may not be assigned by Agent without the prior written approval of Owner.

12 TERMINATION

This Agreement may be terminated by either party, with or without cause, upon 60 days' prior written notice. If, in Owner's sole discretion, Agent materially breaches any aspect of this Agreement or acts or fails to act in the best interest of the Owner, this Agreement may be terminated by Owner immediately. Upon termination of this Agreement, Agent shall deliver to Owner any balance of monies due Owner and perform all activities reasonably required by Owner to transition the management of the Premises to Owner or Owner's newly designated agent.

13 TIME OF ESSENCE; COMMUNICATIONS

All headings and subheadings employed within this Agreement are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement. Time is of the essence in all aspects of this Agreement. All instructions given by the Asset Manager or Owner shall be immediately carried out by Agent. Agent shall respond to each communication from Asset Manager and Owner on the same day using the same medium as used by Asset Manager and Owner for that communication, e.g. respond to email by email and phone call by phone call. At no time shall Agent avoid communication with Owner.

14 COMPLETE AGREEMENT

This Agreement, including any specified attachments, constitutes the entire agreement between Owner and Agent with respect to the management and operation of the Premises and supersedes and replaces any and all previous leasing agreements and management agreements entered into or and negotiated between Owner and Agent relating to the Premises covered by this Agreement. No change to this Agreement shall be valid unless made by supplemental written agreement executed and approved by Owner and Agent. Each party to this Agreement hereby acknowledges and agrees that the other party has made no warranties, representations, covenants, or agreements, express or implied, to such party, other than those expressly set forth herein, and that each party, in entering into and executing this Agreement, has relied upon no warranties, representations, covenants, or agreements, express or implied, to such party, other than those expressly set forth herein.

15 CONFIDENTIALITY

Agent shall hold in strict confidence all information related to Owner's business on the Premises, including, but not limited to, the fact that Owner is an owner of the Premises, information delivered by or obtained from tenants, financial operation and performance of the Premises and information gathered from Owner's books or records.

16 RIGHTS CUMULATIVE; NO WAIVER

No right or remedy herein conferred upon or reserved to either of the parties to this Agreement is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given under this Agreement or now or hereafter legally existing upon the occurrence of an event of default under this Agreement. The failure of either party to this Agreement to insist at any time upon the strict observance or performance of any of the provisions of this

Agreement, or to exercise any right or remedy as provided in this Agreement, shall not impair any such right or remedy or be construed as a waiver or relinquishment of such right or remedy with respect to subsequent defaults. Every right and remedy given by this Agreement to the parties to it may be exercised from time to time and as often as may be deemed expedient by those parties.

17 APPLICABLE LAW AND PARTIAL INVALIDITY

The execution, interpretation, and performance of this Agreement shall in all respects be controlled and governed by the laws of the State of **Connecticut**.. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable, it shall be construed in a manner that is valid, legal and enforceable so as to most closely conform to the original intent of such provision and the remaining provisions shall remain in full force and effect.

18 NOTICES

Any notices, demands, consents, and reports necessary or provided for under this Agreement shall be in writing and shall be addressed as follows, or at such other address as Owner and Agent individually may specify hereafter in writing:

Agent: _____

Owner: _____ Notices to Owner with copy to: _____

Such notice or other communication may be mailed by United States registered or certified mail, return receipt requested, postage prepaid, and may be deposited in a United States Post Office or a depository for the receipt of mail regularly maintained by the post office. Such notices, demands, consents, and reports may also be delivered by hand or by any other receipted method or means permitted by law. For purposes of this Agreement, notices shall be deemed to have been "given" or "delivered" upon personal delivery thereof or seventy two (72) hours after having been deposited in the United States mails as provided herein.

19 AGREEMENT BINDING UPON SUCCESSORS AND ASSIGNS

This agreement shall be binding upon the parties hereto and their respective personal representatives, heirs, administrators, executors, successors and assigns.

20 INDEMNIFICATION

Agent will indemnify, defend and hold Owner completely harmless with respect to liability, damages, costs and expenses, lost profits in connection with any damage or injury whatsoever to persons or property arising out of the Agent's use, management, operation, occupation, ownership, maintenance or control of the Premises on behalf of Owner, provided that such liability or cost did not arise out of any action or omission by Owner constituting gross negligence or breach of this Agreement.

Agent agrees to pay all expenses incurred by Owner, including without limitation, reasonable attorneys' fees, in any proceeding or suit involving an alleged violation by Agent of any statute, ordinance, law or regulation of any governmental body, unless Owner is determined to have violated such statute, ordinance, law or regulation. Any expense incurred or counsel selected by Agent pursuant to the foregoing must be with prior written consent of Owner, not to be unreasonably withheld. If a final determination is made as to Owner's liability for such lawfully prohibited conduct or action, Owner will reimburse Agent therefor, including reasonable attorneys' fees.

Upon learning of actual or alleged violations of law, Agent will promptly provide a report to Owner describing the nature and extent of such violation(s) and an estimate of time and expense necessary to eliminate any such violation(s). Any work performed by Agent or on its behalf, will be done in a good, workmanlike manner, and in compliance with all applicable laws.

IN WITNESS WHEREOF, the parties hereto have affixed or caused to be affixed their
respective signatures this

January _____, 20____

Signature: _____

By: _____

Signature: _____

By: _____

Master Lease Agreement

THIS LEASE between Jerry Ruyan ("Landlord") whose address is c/o Redwood Venture, 9468 Montgomery Road, Cincinnati, OH 45242 and Island Realty Properties ("Tenant") a Massachusetts Limited Liability Company whose address is 30 Parkers Grove Lane, Duxbury, MA 02332, is made as of January, 15, 2007.

WITNESSETH:

Landlord hereby demises and leases to the Tenant, and the Tenant hereby hires and takes from the Landlord for the term and upon the rentals hereinafter specified, the building known as 5107-5135 Hawaiian Terrace, Cincinnati, OH 45223, ("Premises"). See description attached and incorporated herein as Exhibit C. The Premises are shown on Assessors Map _____ as Plot _____.

The initial term of the Lease shall commence on March 1, 2007 ("Commencement Date") and end on February 28, 2008 ("Termination Date"). The annual rent for the lease term ("Lease Period") shall be One Hundred Eighty-Two Thousand and no/100 (\$182,000.00) Dollars. Lease payments shall be payable on the Commencement Date in monthly installments, in advance, on the same day of each month thereafter. The monthly rent payments for the Lease Period are set forth in Exhibit "B".

Rent is to be payable at 9468 Montgomery Road, Cincinnati, OH 45242, c/o Redwood Venture or as may be otherwise directed by the Landlord in writing.

The above Lease is based upon the following conditions:

1. **Landlord's Obligations.** The Landlord covenants that the Tenant, on paying the said rental and performing under the material covenants and conditions in this Lease contained, shall and may peaceably and quietly have, hold and enjoy the demised Premises for the term of this Lease.
2. **Use of Premises.** The Landlord and Tenant agree that the Tenant will be subleasing the property or individual units therein to third parties. Rents and other use and occupancy charges shall be due to the Tenant and any sums received by the Landlord shall be promptly remitted to the Tenant.
3. **Default.** The Tenant shall pay to the Landlord, or Landlord's agent, the base rent and any additional rent at the times and in the manner provided. Upon failure to pay any rent or other sum due within twenty (20) days after receiving written notice from the Landlord or failure to discontinue any other material violation, if applicable, of this Lease within thirty (30) days after receiving written notice thereof, then (except as otherwise provided below with respect to extensions beyond said thirty (30) day period) the Tenant shall be considered in default and the Tenant's rights under this Lease shall, at the option of the Landlord, be terminated, and the Landlord may reenter and may re-let without further notice or demand, but such termination of rights, entry and/or re-letting shall terminate the Tenant's obligation for any rent to be paid or covenants to be performed during the remaining term of this Lease. The Tenant is making a substantial investment in the Premises and the parties shall, in recognition thereof, deal in good faith regarding any alleged default and the Landlord shall provide a reasonable opportunity to cure any default. In the event that Landlord has alleged any non-rent violation of the Lease by the Tenant, and in the event that cure of said violation reasonably requires more than thirty (30) days, then Tenant shall have such additional period beyond thirty (30) days as reasonably necessary to cure and/or address said violation.

In the event of any violation of this Lease by the Tenant or by the Landlord, the other party shall be entitled to recover their costs and fees incurred as a result of such breach, including reasonable legal fees and expenses and sheriff or constable fees.

4. **Tenancies, Assignment and Subleasing.** The premises are leased with the understanding that the Premises and parts thereof will be leased or let to others, subject to the limitations that (i.) no lease or occupancy agreement shall be for more than one (1) year, and (ii.) no unit shall be rented for less than ninety (90) percent of the prevailing fair market rent for similar units in the market area. The Landlord certifies that the rent roll attached hereto as Exhibit "C" fully and accurately depicts the current rental rate and occupancy to each unit; the rent, if any, owing; and any security deposits or last month's rents held by the Landlord and any interests due thereon. The Landlord warrants that no tenant is in violation, to Landlord's knowledge, of any lease or occupancy agreement and the Landlord has received no notice that any tenant considers the Landlord to be in breach of any lease, occupancy agreements or governmental requirements. Copies of all leases and occupancy agreements are attached hereto. The Landlord agrees to cooperate with and indemnify the Tenant in the event of any disputes with a sub-tenant relating to facts or conditions arising prior to the date of this Lease.
5. **Condition of Premises.** Except as provided below, the Tenant shall keep the entire Premises in good condition, and shall maintain the said Premises as may be necessary to keep it in repair and good appearance. The Landlord shall be responsible to repair the structure of the buildings, and the Tenant shall be responsible for the equipment, fixtures or appliances serving the same except for the following:_. In the event either party fails to maintain Premises in accordance with this Agreement, the non-defaulting party shall notify the defaulting party in writing and be provided a reasonable opportunity to address the alleged matter, and in the event that said matter is not addressed, then the non-defaulting party may conduct such maintenance and repair at the expense of the other and the cost shall be paid by the defaulting party. Any reimbursement due the Tenant may, at the Tenant's election, be by a reduction in rental payments due the Landlord. The Tenant shall not make any material alterations, additions or improvements to said Premises without the prior written consent of the Landlord, which consent shall not be unreasonably delayed or withheld.
Existing conditions at and/or upon the Property at the Commencement Date, shall be the Landlord's responsibility and the cost for bringing the Premises into compliance with all laws, regulations and codes including environmental laws, regulations and codes applicable at the Commencement Date shall be the Landlord's responsibility. The Landlord warrants that, as of the Commencement date, there is no lead paint, no violation of any health safety or environmental requirements and no underground oil storage tanks on the Premises.
6. **Inspection and Inspection Contingency.** Landlord agrees that Tenant, either personally or through his authorized agents(s), shall be entitled to enter upon and inspect the Property and the improvements (including the interior of all units) at reasonable times during the forty-five (45) day period preceding the Commencement Date of this lease ("Inspection Period"), with advanced notice and accompanied by a representative of the management company.

Tenant shall have 15 days prior to the Commencement Date to, in Tenant's sole discretion, terminate this contract if the property is unsatisfactory to the Tenant in any respect.

On or before ten (10) days from the commencement of the Inspection Period, Landlord shall provide the Tenant the items set forth in Exhibit A.

7. **Mechanic's Lien.** In the event that any mechanic's lien is filed against the Premises as a result of alteration, additions or improvements made by the Tenant, the Landlord, at its options, after thirty (30) days written notice to the Tenant, may declare the Tenant in default if the lien has not been released or the Tenant has not taken good faith efforts to contest the lien or to secure the lien release within thirty (30) days after the Tenant's receipt of such notice.
8. **Glass.** The Tenant agrees to replace at the Tenant's expense any and all glass, which may be broken in and on the Premises during the term of the Agreement.

9. **Insurance.** The Landlord shall procure and during the term of this Agreement, maintain a comprehensive general liability insurance policy covering the operations at the Premises. The Landlord shall maintain fire and extended insurance coverage on the Premises at replacement value. The Landlord's insurance shall name the Tenant as an additional insured.
10. **Taxes.** The Landlord shall be responsible for all tax liabilities for the Premises during the term of this Agreement. Landlord will demise and lease the Premises to the Tenant free and clear of all outstanding tax liabilities on the Commencement Date. Tax Liabilities include, but are not limited to Federal, State, County and Municipal tax warrants or liens.
11. **Utilities.** Utilities and services (without limitation, heat, trash removal, hot water, water, sewer, electricity, and phone) shall be the responsibility of the Tenant or subtenants of the Tenant. In the event the Tenant requires additional utilities or equipment, Tenant may install said utilities and equipment and Tenant shall maintain said utilities and equipment at Tenant's expense. Real estate taxes shall be paid by the Landlord.
12. **Entry on Premises.** The Landlord, or its agents, shall have the right to enter the Premises at reasonable hours in the day and night, upon reasonable advance notice to the Tenant except in emergency situations, to examine the same, or to make such repairs, additions or alterations as it shall deem necessary for the safety, preservation or restoration of the improvements (there being no obligations, however, on the part of the Landlord to make any such repairs, additions or alterations except as detailed in this Agreement).
13. **Damage or Destruction.** If, through no fault of Tenant, the Premises or any part thereof is destroyed by fire or casualty, or if any of the damage is in excess of \$2,500 to any material portion of the premises, then Tenant may terminate this Lease upon promptly giving written notice to the Landlord. Until the Lease is terminated, a proportionate adjustment to the rent due the Landlord shall be abated to reflect rents not collected from any subtenant and other loss or expense incurred as a result of such damage or destruction.
14. **Legal Requirements.** The Tenant agrees to observe and comply with laws, ordinances, rules and regulations of the Federal, State, County and Municipal authorities applicable to the Premises and the business to be conducted on the Premises.
15. **Recording Notice of Lease.** The Landlord shall execute a memorandum or Notice of Lease, prepared by Tenant and in form satisfactory to Tenant referencing essential terms of the Lease, for recording by Tenant with the appropriate governmental registry.
16. **Notices.** No notice, approval, consent or other communication permitted or required to be given by this Lease will be effective unless the same is delivered during normal business hours; (i.) by hand, (ii.) by overnight courier, or (iii.) send postage prepaid, by US certified mail, return receipt requested, or by any other manner permitted by law for services of process to the other party at the following addresses (or, to such other address as any party may designate by written notice):

If to the Landlord:
 Jerry Ruyan
 Redwood Venture
 9468 Montgomery Rd.
 Cincinnati, OH 45242

If to the Tenant:
 John Smith
 IRP, LLC
 PO Box 123
 Duxbury, MA 02332

17. **Bankruptcy and Insolvency.** It is further agreed that if at any time during the term of this Lease either party shall make any assignment for the benefit of creditors, or to be decreed insolvent or bankrupt according to law, or if a receiver shall be appointed for a party, then the other may, at his option, terminate this Lease, exercise of such option to be evidenced by notice to that effect served upon the assignee, receiver, trustee or other person in charge of the liquidation of the property or to their estate, but such termination shall not release or discharge any payment or sums then due hereunder

or any liability then accrued by reason of any agreement or covenant herein.

18. **Expiration of Lease.** In the event that the Tenant shall remain in the Premises after the expiration of the term of the Lease without exercise of any option to extend or having executed a new Lease with the Landlord, such holding over shall not constitute a renewal or extension of this Lease. The Landlord may, at its option, elect to treat the Tenant as one who has not removed at the end of his term, and thereupon, be entitled to all the remedies against the Tenant provided by law in that situation, or the Landlord may elect, at its option, to construe such holding over as a tenancy from month to month, subject to all terms and conditions of this Lease, except as to its duration. In any event, the Landlord acknowledges the Premises shall be occupied at the termination of the Lease by subtenants and occupants, and agrees to accept the same and the Tenant's responsibilities and rights hereunder. From and after the Termination date, The Tenant shall have no further liability with respect to the Lease or to any sublease or subtenant.
19. **Condemnation – Eminent Domain.** In the event of any taking, Tenant shall receive any amount attributable to any portion of the improvements constructed, installed or paid for by the Tenant. Tenant shall have the option to terminate this Lease if any material portion of the Premises is taken, or any material portion of the access to the Premises is taken. This Lease will automatically terminate effective as of the taking, if all of the Premises are taken.
20. **Exterior Maintenance:** The Tenant shall be responsible to keep the Premises in good working order. The Tenant shall properly maintain all landscaping and place all rubbish and refuse of any description in sanitary receptacles for that purpose, receptacles to be provided by Tenant. The Tenant shall be responsible for snow plowing, and sanding of ice from the Premises.
21. **Commencement of Rights.** No rights are to be conferred upon the Tenant nor obligations imposed until this Lease has been signed by the Landlord, and an executed copy of this Lease has been delivered to the Tenant.
22. **Rights Not Exclusive.** The foregoing rights and remedies of Landlord and Tenant are not intended to be exclusive but as additional to all rights and remedies the Landlord and Tenant would otherwise have by law.
23. **Parties Bound.** All of the terms, covenants, conditions of this Lease shall inure to the benefit of and be binding upon the respective heirs, executors, administrators, successors and assigns of the parties hereto.
24. **Modification.** This Lease may be changed only by written instrument signed by the parties.
25. **Broker.** The Landlord and Tenant each represent and warrant to the other that it has dealt with no broker in connection with this transaction, except David Senske, Huff Realty, 6460 Harrison Avenue, Cincinnati OH and William Hall, William Hall Associates, 2300 Montana Avenue, Suite 200-F, Cincinnati, OH. The Landlord agrees to defend, indemnify and hold harmless from and against any and all claims for commissions to any other party arising out of this Lease and alleged to have been as a result of dealings with the Tenant.
26. **Governing Law.** This Lease is made pursuant to and shall be governed by the laws of the State of Ohio .
27. **Indemnity.** Each party will indemnify and hold harmless the other, its agents, employees, shareholders, officers, successors and assigns from and against any and all claims, actions, damages, remediation costs, liability, suits and expenses (including, but not limited to, court costs and reasonable attorney's fees) in connection with the loss of life, personal injury and damage to property or other damages, relating to or arising from or out of, whether in whole or in part, (a) the occupancy or use by the other of the Premises, (b) the conduct of its business therein, or (c) any act, misrepresentation herein or otherwise or omission of the party, its against, contractors, employees, ser-

vants, suppliers, invitees, guests or customers, or (d) breach of this Lease.

28. **Option to Extend.** The Tenant shall have the option to extend this lease for an additional six (6) months after the Termination Date at a rate equal to the monthly rent for the last month of this Agreement.
29. **Additional Provisions.** Any additional provisions set forth on the attached exhibits, and initialed by all parties, are hereby made a part of this Agreement. See Addendum I attached hereto.
30. **Entire Agreement.** This Lease and any attached Exhibits constitute the entire agreement between the parties and no oral statements shall be binding.

IN WITNESS WHEREOF, the said Parties have hereunto set their hands and seals the day and year first above written.

TENANT:

LANDLORD:

By: _____

By: _____

Name: _____

Name _____

Title: _____

Title: _____

Date: _____

Date: _____

Exhibit A

1. Rent roll (setting forth the rates, lease terms) concessions, unit type, beginning date, expiration date, certified by an authorized representative of Landlord to be true and accurate in all material respects;
2. Copy of any of Landlord's existing title policy or policies for the property;
3. Copies of any surveys, maps, or plots of the property in Seller's possession or control;
4. Interim operating statements for the property for the most current fiscal year and operating statements for the last two years, certified by an authorized representative of the Landlord to be true and accurate in all material respects;
5. Copies of all service contracts and other operating agreements applicable to the property including, but not limited to;
 - i. Refuse removal
 - ii. Termite treatment or bond
 - iii. Landscaping
 - iv. Laundry room
 - v. Vending
 - vi. Cable
 - vii. Advertising
 - viii. Answering service
 - ix. Alarm service
 - x. Copy of any prior environmental assessment or engineering assessment of the property
6. A list of tenant arrearages dated not earlier than fifteen (15) days from the date of submission;
7. Current tax bills as well as copies of utility bills for the property for the last twelve months;
8. Copy of Termite contract with letter from company stating condition of the property and last date of inspection;
9. Insurance company name and contact with copy of policies;
10. Copy of any management agreements
11. Copies of lease terms for all residents, together with a copy of the standard lease form for the property with a certification that all leases conform to the standard form unless otherwise noted on such certification;
12. List of personal property and a list of personal property that is leased by Landlord in connection with the property;
13. Copies of all warranties, permits, licenses and approvals applicable to the property;
14. Evidence of Landlord's authority to enter into this Agreement;
15. List of all security deposits to be transferred; and
16. Keys and/or combinations to all locks on the property.

Exhibit "B"
(Rent Schedule)

<u>MONTH</u>	<u>RENT</u>
March 1, 2007	\$12,590
April 1, 2007	\$12,590
May 1, 2007	\$13,668
June 1, 2007	\$13,668
July 1, 2007	\$14,746
August 1, 2007	\$14,746
September 1, 2007	\$15,824
October 1, 2007	\$15,824
November 1, 2007	\$16,902
December 1, 2007	\$16,902
January 1, 2008	\$17,333
February 1, 2008	<u>\$17,207</u>
Annual Rent	\$182,000

OPTION AGREEMENT FOR PURCHASE OF REAL PROPERTY

THIS OPTION AGREEMENT ("Agreement") made and entered into this 15th day of January, 2007, by and between Jerry Ruyan, ("Seller") whose principal address is c/o Redwood Venture, 9468 Montgomery Rd., Cincinnati, OH 45242, and Island Realty Partners, LLC, ("Purchaser") whose principal address is 30 Parkers Grove Lane, Duxbury, MA 02332:

WITNESSETH:

WHEREAS, Seller is the owner of certain real property being, lying and situated in the County of Hamilton, State of Ohio, such real property having the street address of 5107-5135 Hawaiian Terrace, Cincinnati, OH 45223 ("Premises") and such property being more particularly described as follows:

(Legal Description) and,

WHEREAS, Purchaser desires to procure an option to purchase the Premises upon the terms and provisions as hereinafter set forth;

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged by the parties hereto and for the mutual covenants contained herein, Seller and Purchaser hereby agree as follows:

1. **Definitions.** For the purposes of this Agreement, the following terms shall have the following meanings:

- (a) "Execution Date" shall mean the day upon which the last party to this Agreement shall duly execute this Agreement;
- (b) "Option Fee" shall mean the total sum of a down payment plus all closing costs, payable as set forth below;
- (c) "Option Term" shall mean that period of time commencing on the Execution Date and ending on or before March 1, 2008;
- (d) "Option Exercise Date" shall mean that date, within the Option Term, upon which the Purchaser shall send its written notice to Seller exercising its Option to Purchase;
- (e) "Closing Date" shall mean the last day of the closing term or such other date during the closing term selected by Purchaser.

2. **Grant of Option.** For and in consideration of the Option Fee payable to Seller as set forth herein, Seller does hereby grant to Purchaser the exclusive right and Option ("Option") to purchase the premises upon the terms and conditions as set forth herein.

3. **Payment of Option Fee.** Purchaser agrees to pay the Seller a down payment of \$10,000.00 plus all closing costs upon the Execution Date.

4. **Exercise of Option.** Purchaser may exercise its exclusive right to purchase the Premises pursuant to the Option, at any time during the Option Term, by giving written

notice thereof to Seller. As provided for above, the date of sending of said notice shall be the Option Exercise Date. In the event the Purchaser does not exercise its exclusive right to purchase the Premises granted by the Option during the Option Term, Seller shall be entitled to retain the Option Fee, and this agreement shall become absolutely null and void and neither party hereto shall have any other liability, obligation or duty hereunder or pursuant to this Agreement.

5. Contract for Purchase & Sale of Real Property. In the event that the Purchaser exercises its exclusive Option as provided for in the preceding paragraph, Seller agrees to sell and Purchaser agrees to buy the Premises and both parties agree to execute a contract for such purchase and sale of the Premises in accordance with the following terms and conditions:

- (a) Purchase Price. The purchase price for the Premises shall be One Million Eight Hundred Fifty Thousand (\$1,850,000) Dollars; however, Purchaser shall receive a credit toward such purchase price in the amount of the Option Fee thus, Purchaser shall pay to Seller at closing the sum of One Million Eight Hundred Forty Thousand (\$1,840,000) Dollars;
- (b) Closing Date. The closing date shall be on March 1, 2008 or at any other date during the Option Term or as may be agreed to in the contract for purchase as executed by the Seller and Purchaser;
- (c) Closing Costs. Purchaser's costs of closing the Contract shall be borne by Purchaser;
- (d) Default by Purchaser; Remedies of Seller. In the event Purchaser, after exercise of the Option, fails to proceed with the closing of the purchase of the Premises pursuant to the terms and provisions as contained herein and/or under the Contract, Seller shall be entitled to retain the Option Fee as liquidated damages and shall have no further recourse against Purchaser;
- (e) Default by Seller; Remedies of Purchaser. In the event Seller fails to close the sale of the Premises pursuant to the terms and provisions of this Agreement and/or under the Contract, Purchaser shall be entitled to either sue for specific performance of the real estate purchase and sale contract or terminate such Contract and sue for money damages.

6. Miscellaneous.

- (a) Execution by Both Parties. This Agreement shall not become effective and binding until fully executed by both Purchaser and Seller.
- (b) Notice. All notices, demands and/or consents provided for in this Agreement shall be in writing and shall be delivered to the parties hereto by hand or by United States Mail with postage pre-paid. Such notices shall be deemed to have been served on the date mailed, postage pre-paid. All such notices and communications shall be addressed to the Seller at 9468 Montgomery Rd., Cincinnati, OH 45242 and to Purchaser at PO Box 956, Duxbury, MA 02332 or at such other address as either may specify to the other in writing.
- (c) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Ohio.
- (d) Successors and Assigns. This Agreement shall apply to, inure to the benefit of and be binding upon and enforceable against the parties hereto and their respective heirs, successors, and or assigns, to the extent as if specified at length throughout this Agreement.
- (e) Time. Time is of the essence of this Agreement.
- (f) Headings. The headings inserted at the beginning of each paragraph and/or subparagraph are for convenience of reference only and shall not limit or otherwise affect or be used in the construction of any terms or provisions hereof.
- (g) Cost of this Agreement. Any cost and/or fees incurred by the Purchaser or Seller in executing this Agreement shall be borne by the respective party incurring such cost and/or fee.
- (h) Entire Agreement. This Agreement contains all of the terms, promises, covenants, conditions and representations made or entered into by or between Seller and Purchaser and supercedes all prior discussions and agreements whether written or oral between Seller and Purchaser with respect to the Option and all other matters contained herein and constitutes the sole and entire agreement between Seller and Purchaser with respect thereto. This Agreement may not be modified or amended unless such amendment is set forth in writing and executed by both Seller and Purchaser with the formalities hereof.

Tenant Estoppel Letter

PURCHASER: _____

Date: _____

RE: SALE FROM _____ TO _____

The Undersigned Tenant acknowledge that _____
 ("Purchaser") is purchasing certain property, commonly known as: _____,
 and that as a condition precedent to such purchase, Purchaser is requiring, and
 will rely upon, this certification for the undersigned.

The undersigned further acknowledges that it is a party to a certain Lease
 dated _____ by and between _____. (the "Landlord") and
 the undersigned (the "undersigned")

With respect to the Lease, the Undersigned hereby certifies and confirms to
 you that:

1. Attached hereto as Exhibit "A" is a true, correct and complete copy of the Lease,
 together with each and every amendment, addendum, rider or supplement with respect
 thereto.
2. The Undersigned has entered into occupancy of the premises and opened for
 business on _____.
3. The Undersigned is currently using the premises as a ...

_____ as required in the Lease.

4. The terms and provisions of the Lease are in full force and effect, and have not been
 altered, modified, supplemented, or otherwise amended in any way.

5. The term of the Lease commenced on _____
 and will expire on _____

The Undersigned has options to renew the terms of the lease for periods of _____ years each

6. The fixed monthly rent payable under the Lease is as set forth below
 and has been paid through _____.

Monthly Rental: \$ _____
 Lessee pays _____% of increase in taxes as
 per lease agreement. Tenant pays all utilities.

7. The security deposit from the Undersigned to the Landlord is \$ _____

8. All items of construction, if any, required to be completed by the Landlord, and have been satisfactorily completed in accordance with the terms and conditions of the Lease, and any payments, credits or inducements made or to be made to the Undersigned by Landlord under the terms of the Lease have been fully performed.

9. The square footage that is utilized to compute the Undersigned's Additional rent (if any), provided in the Lease is _____ square feet.

10. The Undersigned has not performed any work or taken any action or is not presently performing any work or taking any action for which it expects reimbursement from Landlord under the provisions of the Lease, and there are no set-offs, claims, or defenses being asserted by the Undersigned against Landlord for the enforcement of the Landlord's or the Undersigned's obligations under the terms of the Lease. The Undersigned has no defense, set-offs, or counterclaims to the payment of rent, and all other amounts due from tenant to Landlord under the Lease.

11. The Undersigned has not given notice to or made a demand upon Landlord under the terms of the Lease are hereby ratified. All capitalized terms used herein shall have the meanings ascribed to them in the Lease.

12. All provisions of the Lease are hereby ratified. All capitalized terms used herein shall have the meanings ascribed to them in the Lease.

13. The Undersigned acknowledges that Purchaser and its designee's, participants, successors and assigns will rely and shall have the right to rely on this certification, and that for purposes of the Lease the shall be recognized as "Landlord" upon the completion of the transaction contemplated in that certain sale and purchase agreement dated _____.

14. The Undersigned has not been granted and has not exercised any options or right of expansion, purchase, or first refusal concerning the Lease or the premises, except as may be stated in the copy of the Lease attached.

15. Landlord has not given consent to Tenant (for example, consent to Lease or alter the premises) that is required under the Lease or the premises, except as may be stated in the copy of the Lease attached.

16. The Undersigned has not filed and is not the subject of any filing for bankruptcy or reorganization under federal bankruptcy laws.

17 The address for notices to tenant under the Lease is correctly set forth above. Very truly

yours,

By: _____

It's: _____

Tenancy Addendum

Section 8 Tenant-Based Assistance

(To be attached to Tenant Lease)

U.S. Department of Housing and
Urban Development Office of Public

1. Section 8 Voucher Program
 - a. The owner is leasing the contract unit to the tenant for occupancy by the tenant's family with assistance for a tenancy under the Section 8 housing choice voucher program (voucher program) of the United States Department of Housing and Urban Development (HUD).
 - b. The owner has entered into a Housing Assistance Payments Contract (HAP contract) with the PHA under the voucher program. Under the HAP contract, the PHA will make housing assistance payments to the owner to assist the tenant in leasing the unit from the owner.
2. Lease
 - a. The owner has given the PHA a copy of the lease, including any revisions agreed by the owner and the tenant. The owner certifies that the terms of the lease are in accordance with all provisions of the HAP contract and that the lease includes the tenancy addendum.
 - b. The tenant shall have the right to enforce the tenancy addendum against the owner. If there is any conflict between the tenancy addendum and any other provisions of the lease, the language of the tenancy addendum shall control.
3. Use of Contract Unit
 - a. During the lease term, the family will reside in the contract unit with assistance under the voucher program.
 - b. The composition of the household must be approved by the PHA. The family must promptly inform the PHA of the birth, adoption or court-awarded custody of a child. Other persons may not be added to the household without prior written approval of the owner and the PHA.
 - c. The contract unit may only be used for residence by the PHA-approved household members. The unit must be the family's only residence. Members of the household may engage in legal profitmaking activities incidental to primary use of the unit for residence by members of the family.
 - d. The tenant may not sublease or let the unit.
 - e. The tenant may not assign the lease or transfer the unit.
4. Rent to Owner
 - a. The initial rent to owner may not exceed the amount approved by the PHA in accordance with HUD requirements.
 - b. Changes in the rent to owner shall be determined by the provisions of the lease. However, the owner may not raise the rent during the initial term of the lease.
 - c. During the term of the lease (including the initial term of the lease and any extension term), the rent to owner may at no time exceed:
 - (1) The reasonable rent for the unit as most recently determined or redetermined by the PHA in accordance with HUD requirements, or
 - (2) Rent charged by the owner for comparable unassisted units in the premises.
5. Family Payment to Owner
 - a. The family is responsible for paying the owner any portion of the rent to owner that is not covered by the PHA housing assistance payment.
 - b. Each month, the PHA will make a housing assistance payment to the owner on behalf of the family in accordance with the HAP contract. The amount of the monthly housing assistance payment will be determined by the PHA in accordance with HUD requirements for a tenancy under the Section 8 voucher program.
 - c. The monthly housing assistance payment shall be credited against the monthly rent to owner for the contract unit.
 - d. The tenant is not responsible for paying the portion of rent to owner covered by the PHA housing assistance payment under the HAP contract between the owner and the PHA. A PHA failure to pay the housing assistance payment to the owner is not a violation of the lease. The owner may not terminate the tenancy for nonpayment of the PHA housing assistance payment.
 - e. The owner may not charge or accept, from the family or from any other source, any payment for rent of the unit in addition to the rent to owner. Rent to owner includes all housing services, maintenance, utilities and appliances to be provided and paid by the owner in accordance with the lease.
 - f. The owner must immediately return any excess rent payment to the tenant.
6. Other Fees and Charges
 - a. Rent to owner does not include cost of any meals or supportive services or furniture which may be provided by the owner.
 - b. The owner may not require the tenant or family members to pay charges for any meals or supportive services or furniture which may be provided by the owner. Nonpayment of any such charges is not grounds for termination of tenancy.
 - c. The owner may not charge the tenant extra amounts for items customarily included in rent to owner in the locality, or provided at no additional cost to unsubsidized tenants in the premises.
7. Maintenance, Utilities, and Other Services and .Maintenance
 - (1) The owner must maintain the unit and premises in accordance with the HQS.
 - (2) Maintenance and replacement (including redecoration) must be in accordance with the standard practice for the building concerned as established by the owner.
 - b. Utilities and appliances
 - (1) The owner must provide all utilities needed to comply with the HQS.
 - (2) The owner is not responsible for a breach of the HQS caused by the tenant's failure to:

- (a) Pay for any utilities that are to be paid by the tenant.
 - (b) Provide and maintain any appliances that are to be provided by the tenant.
 - c. **Family damage.** The owner is not responsible for a breach of the HQS because of damages beyond normal wear and tear caused by any member of the household or by a guest.
 - d. **Housing services.** The owner must provide all housing services as agreed to in the lease.
- 8. Termination of Tenancy by Owner**
- a. **Requirements.** The owner may only terminate the tenancy in accordance with the lease and HUD requirements.
 - b. **Grounds.** During the term of the lease (the initial term of the lease or any extension term), the owner may only terminate the tenancy because of:
 - (1) Serious or repeated violation of the lease;
 - (2) Violation of Federal, State, or local law that imposes obligations on the tenant in connection with the occupancy or use of the unit and the premises;
 - (3) Criminal activity or alcohol abuse (as provided in paragraph c); or
 - (4) Other good cause (as provided in paragraph d).
 - d). c. **Criminal activity or alcohol abuse.**
 - (1) The owner may terminate the tenancy during the term of the lease if any member of the household, a guest or another person under a resident's control commits any of the following types of criminal activity:
 - (a) Any criminal activity that threatens the health or safety of, or the right to peaceful enjoyment of the premises by, other residents (including property management staff residing on the premises);
 - (b) Any criminal activity that threatens the health or safety of, or the right to peaceful enjoyment of their residences by, persons residing in the immediate vicinity of the premises;
 - (c) Any violent criminal activity on or near the premises; or
 - (d) Any drug-related criminal activity on or near the premises.
 - (2) The owner may terminate the tenancy during the term of the lease if any member of the household is:
 - (a) Fleeing to avoid prosecution, or custody or confinement after conviction, for a crime, or attempt to commit a crime, that is a felony under the laws of the place from which the individual flees, or that, in the case of the State of New Jersey, is a high misdemeanor; or
 - (b) Violating a condition of probation or parole under Federal or State law.
 - (3) The owner may terminate the tenancy for criminal activity by a household member in accordance with this section if the owner determines that the household member has committed the criminal activity, regardless of whether the household member has been arrested or convicted for such activity.
 - (4) The owner may terminate the tenancy during the term of the lease if any member of the household has engaged in abuse of alcohol that threatens the health, safety or right to peaceful enjoyment of the premises by other residents.
 - d. **Other good cause for termination of tenancy**
 - (1) During the initial lease term, other good cause for termination of tenancy must be something the family did or failed to do.
 - (2) During the initial lease term or during any extension term, other good cause includes:
 - (a) Disturbance of neighbors, (b) Destruction of property, or
 - (c) Living or housekeeping habits that cause damage to the unit or premises.
 - (3) After the initial lease term, such good cause includes: (a) The tenant's failure to accept the owner's offer of a new lease or revision;
 - (b) The owner's desire to use the unit for personal or family use or for a purpose other than use as a residential rental unit; or
 - (c) A business or economic reason for termination of the tenancy (such as sale of the property, renovation of the unit, the owner's desire to rent the unit for a higher rent).
 - e. **Eviction by court action.** The owner may only evict the tenant by a court action.
 - f. **Owner notice of grounds**
 - (1) At or before the beginning of a court action to evict the tenant, the owner must give the tenant a notice that specifies the grounds for termination of tenancy. The notice may be included in or combined with any owner eviction notice.
 - (2) The owner must give the PHA a copy of any owner eviction notice at the same time the owner notifies the tenant.
 - (3) Eviction notice means a notice to vacate, or a complaint or other initial pleading used to begin an eviction action under State or local law.
- 9. Lease: Relation to HAP Contract**
- If the HAP contract terminates for any reason, the lease terminates automatically.
- 10. PHA Termination of Assistance**
- The PHA may terminate program assistance for the family for any grounds authorized in accordance with HUD requirements. If the PHA terminates program assistance for the family, the lease terminates automatically.
- 11. Family Move Out**
- The tenant must notify the PHA and the owner before the family moves out of the unit.
- 12. Security Deposit**
- a. The owner may collect a security deposit from the tenant. (However, the PHA may prohibit the owner from collecting a security deposit in excess of private market practice, or in excess of amounts charged by the owner to unassisted tenants. Any such PHA-required restriction must be specified in the HAP contract.)

- b. When the family moves out of the contract unit, the owner, subject to State and local law, may use the security deposit, including any interest on the deposit, as reimbursement for any unpaid rent payable by the tenant, any damages to the unit or any other amounts that the tenant owes under the lease.
- c. The owner must give the tenant a list of all items charged against the security deposit, and the amount of each item. After deducting the amount, if any, used to reimburse the owner, the owner must promptly refund the full amount of the unused balance to the tenant.
- d. If the security deposit is not sufficient to cover amounts the tenant owes under the lease, the owner may collect the balance from the tenant.

13. Prohibition of Discrimination

In accordance with applicable equal opportunity statutes, Executive Orders, and regulations, the owner must not discriminate against any person because of race, color, religion, sex, national origin, age, familial status or disability in connection with the lease.

14. Conflict with Other Provisions of Lease

- a. The terms of the tenancy addendum are prescribed by HUD in accordance with Federal law and regulation, as a condition for Federal assistance to the tenant and tenant's family under the Section 8 voucher program.
- b. In case of any conflict between the provisions of the tenancy addendum as required by HUD, and any other provisions of the lease or any other agreement between the owner and the tenant, the requirements of the HUD-required tenancy addendum shall control.

15. Changes in Lease or Rent

- a. The tenant and the owner may not make any change in the tenancy addendum. However, if the tenant and the owner agree to any other changes in the lease, such changes must be in writing, and the owner must immediately give the PHA a copy of such changes. The lease, including any changes, must be in accordance with the requirements of the tenancy addendum.
- b. In the following cases, tenant-based assistance shall not be continued unless the PHA has approved a new tenancy in accordance with program requirements and has executed a new HAP contract with the owner:
 - (1) If there are any changes in lease requirements governing tenant or owner responsibilities for utilities or appliances;
 - (2) If there are any changes in lease provisions governing the term of the lease;
 - (3) If the family moves to a new unit, even if the unit is in the same building or complex.
- c. PHA approval of the tenancy, and execution of a new HAP contract, are not required for agreed changes in the lease other than as specified in paragraph b.
- d. The owner must notify the PHA of any changes in the amount of the rent to owner at least sixty days before any such changes go into effect, and the amount of the rent to owner following any such agreed change may not exceed the reasonable rent for the unit as most recently determined or re-determined by the PHA in accordance with HUD requirements

16. notice

Any notice under the lease by the tenant to the owner or by the owner to the tenant must be in writing.

17. Definitions

Contract unit. The housing unit rented by the tenant with assistance under the program.

Family. The persons who may reside in the unit with assistance under the program.

HAP contract. The housing assistance payments contract between the PHA and the owner. The PHA pays housing assistance payments to the owner in accordance with the HAP contract.

Household. The persons who may reside in the contract unit. The household consists of the family and any PHA-approved live-in aide. (A live-in aide is a person who resides in the unit to provide necessary supportive services for a member of the family who is a person with disabilities.)

Housing quality standards (HQS). The HUD minimum quality standards for housing assisted under the Section 8 tenant-based programs.

HUD. The U.S. Department of Housing and Urban Development.

HUD requirements. HUD requirements for the Section 8 program. HUD requirements are issued by HUD headquarters, as regulations, Federal Register notices or other binding program directives.

Lease. The written agreement between the owner and the tenant for the lease of the contract unit to the tenant. The lease includes the tenancy addendum prescribed by HUD.

PHA. Public Housing Agency.

Premises. The building or complex in which the contract unit is located, including common areas and grounds.

Program. The Section 8 housing choice voucher program.

Rent to owner. The total monthly rent payable to the owner for the contract unit. The rent to owner is the sum of the portion of rent payable by the tenant plus the PHA housing assistance payment to the owner.

Section 8. Section 8 of the United States Housing Act of 1937 (42 United States Code 1437f).

Tenant. The family member (or members) who leases the unit from the owner.

Voucher program. The Section 8 housing choice voucher program. Under this program, HUD provides funds to an PHA for rent subsidy on behalf of eligible families. The tenancy under the lease will be assisted with rent subsidy for a tenancy under the voucher program

Housing Assistance Payments Contract (HAP Contract) Section 8 Tenant-Based Assistance

U.S. Department of Housing
and Urban Development
Office of Public and Indian Housing

Instructions for use of HAP Contract

This form of Housing Assistance Payments Contract (HAP contract) is used to provide Section 8 tenant-based assistance under the housing choice voucher program (voucher program) of the U.S. Department of Housing and Urban Development (HUD). The main regulation for this program is 24 Code of Federal Regulations Part 982.

The local voucher program is administered by a public housing agency (PHA). The HAP contract is an agreement between the PHA and the owner of a unit occupied by an assisted family. The HAP contract has three parts:

- Part A Contract information (fill-ins).
See section by section instructions.
- Part B Body of contract
- Part C Tenancy addendum

Use of this form

Use of this HAP contract is required by HUD. Modification of the HAP contract is not permitted. The HAP contract must be word-for-word in the form prescribed by HUD.

However, the PHA may choose to add the following:

Language that prohibits the owner from collecting a security deposit in excess of private market practice, or in excess of amounts charged by the owner to unassisted tenants. Such a prohibition must be added to Part A of the HAP contract.

Language that defines when the housing assistance payment by the PHA is deemed received by the owner (e.g., upon mailing by the PHA or actual receipt by the owner). Such language must be added to Part A of the HAP contract.

To prepare the HAP contract, fill in all contract information in Part A of the contract. Part A must then be executed by the owner and the PHA.

Use for special housing types

In addition to use for the basic Section 8 voucher program, this form must also be used for the following "special housing types" which are voucher program variants for special needs (see 24 CFR Part 982, Subpart M): (1) single room occupancy (SRO) housing; (2) congregate housing; (3) group home; (4) shared housing; and (5) manufactured home rental by a family that leases the manufactured home and space. When this form is used for a special housing type, the special housing type shall be specified in Part A of the HAP contract, as follows: "This HAP contract is used for the following special housing type under HUD regulations for the Section 8 voucher program: (Insert Name of Special Housing type)."

However, this form may not be used for the following special housing types: (1) manufactured home space rental by a family that owns the manufactured home and leases only the space; (2) cooperative housing; and (3) the homeownership option under Section 8(y) of the United States Housing Act of 1937 (42 U.S.C. 1237f(y)).

How to fill in Part A

Section by Section Instructions

Section 2:

Tenant

Enter full name of tenant. Section 3.

Contract Unit

Enter address of unit, including apartment number, if any. Section

4. Household Members

Enter full names of all PHA-approved household members. Specify if any such person is a live-in aide, which is a person approved by the PHA to reside in the unit to provide supportive services for a family member who is a person with disabilities.

Section 5. Initial Lease

Term

Enter first date and last date of initial lease term.

The initial lease term must be for at least one year. However, the PHA may approve a shorter initial lease term if the PHA determines that:

- o Such shorter term would improve housing opportunities for the tenant, **and**
- o Such shorter term is the prevailing local market practice. Section

6. Initial Rent to Owner

Enter the amount of the monthly rent to owner during the initial lease term. The PHA must determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. During the initial lease term, the owner may not raise the rent to owner.

Section 7. Housing Assistance Payment

Enter the initial amount of the monthly housing assistance payment. Section 8.

Utilities and Appliances

The lease and the HAP contract must specify what utilities and appliances are to be supplied by the owner, and what utilities and appliances are to be supplied by the tenant. Fill in section 8 to show who is responsible to provide or pay for utilities and appliances.

**Housing Assistance Payments Contract
(HAP Contract)
Section 8 Tenant-Based Assistance**

**U.S. Department of Housing and
Urban Development**
Office of Public and Indian Housing

Part A of the HAP Contract: Contract Information

(To prepare the contract, fill out all contract information in Part A.)

1. Contents of Contract

This HAP contract

has three parts:

Part A: Con-

tract Informa-

tion Part B:

Body of Con-

tract

Part C: Tenancy Addendum

2. Tenant

3. Contract Unit

4. Household

The following persons may reside in the unit. Other persons may not be added to the household without prior written approval of the owner and the PHA.

5. Initial Lease Term

The initial lease term begins on (mm/dd/yyyy): _____

The initial lease term ends on (mm/dd/yyyy): _____

6. Initial Rent to Owner

The initial rent to owner is: \$ _____

During the initial lease term, the owner may not raise the rent to owner.

7. Initial Housing Assistance Payment

The HAP contract term commences on the first day of the initial lease term. At the beginning of the HAP contract term, the amount of the housing assistance payment by the PHA to the owner is \$ _____ per month.

The amount of the monthly housing assistance payment by the PHA to the owner is subject to change during the HAP contract term in accordance with HUD requirements.

8. Utilities and Appliances

The owner shall provide or pay for the utilities and appliances indicated below by an "O". The tenant shall provide or pay for the utilities and appliances indicated below by a "T".

Unless otherwise specified below, the owner shall pay for all utilities and appliances provided by the owner.

Item	Specify fuel type				Provided by	Paid by
Heating	Natural gas Other	Bottle gas	Oil or Electric	Coal or		
Cooking	Natural gas Other	Bottle gas	Oil or Electric	Coal or		
Water Heating	Natural gas Other	Bottle gas	Oil or Electric	Coal or		
Other Electric						
Water						
Sewer						
Trash Collection						
Air Conditioning						
Refrigerator						
Range/Microwave						
Other (specify)						

Signatures:**Public Housing Agency**

Print or Type Name of PHA _____

Signature _____

Print or Type Name and of Signatory _____

Date (mm/dd/yyyy) _____

Mail Payments To:

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Owner

Print or type Name of Owner _____

Signature _____

Print or Type Name and Title of Signatory _____

Date (mm/dd/yyyy) _____

Name: _____

Address (street, city, State, Zip) _____

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**Housing Assistance Payments Contract
(HAP) Contract**
Section 8 Tenant-Based Assistance
Housing Choice Voucher Program

**U.S. Department of
Housing and Urban
Development**
Office of Public and Indian Housing

Part B of HAP Contract: Body of Contract

1. Purpose

- a. This is a HAP contract between the PHA and the owner.
The HAP contract is entered to provide assistance for the family under the Section 8 voucher program (see HUD program regulations at 24 Code of Federal Regulations Part 982).
- b. The HAP contract only applies to the household and contract unit specified in Part A of the HAP contract.
- c. During the HAP contract term, the PHA will pay housing assistance payments to the owner in accordance with the HAP contract.
- d. The family will reside in the contract unit with assistance under the Section 8 voucher program. The housing assistance payments by the PHA assist the tenant to lease the contract unit from the owner for occupancy by the family.

2. Lease of Contract Unit

- a. The owner has leased the contract unit to the tenant for occupancy by the family with assistance under the Section 8 voucher program.
- b. The PHA has approved leasing of the unit in accordance with requirements of the Section 8 voucher program.
- c. The lease for the contract unit must include word-for-word all provisions of the tenancy addendum required by HUD (Part C of the HAP contract).
- d. The owner certifies that:
 - (1) The owner and the tenant have entered into a lease of the contract unit that includes all provisions of the tenancy addendum.
 - (2) The lease is in a standard form that is used in the locality by the owner and that is generally used for other unassisted tenants in the premises.
 - (3) The lease is consistent with State and local law.
- e. The owner is responsible for screening the family's behavior or suitability for tenancy. The PHA is not responsible for such screening. The PHA has no liability or responsibility to the owner or other persons for the family's behavior or the family's conduct in tenancy.

3. Maintenance, Utilities, and Other Services

- a. The owner must maintain the contract unit and premises in accordance with the housing quality standards (HQS).
- b. The owner must provide all utilities needed to comply with the HQS.
- c. If the owner does not maintain the contract unit in accordance with the HQS, or fails to provide all utilities needed to comply with the HQS, the PHA may exercise any available remedies. PHA remedies for such breach include recovery of overpayments, suspension of housing

assistance payments, abatement or other reduction of housing assistance payments, termination of housing assistance payments, and termination of the HAP contract. The PHA may not exercise such remedies against the owner because of an HQS breach for which the family is responsible, and that is not caused by the owner.

- d. The PHA shall not make any housing assistance payments if the contract unit does not meet the HQS, unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within the period specified by the PHA.
- e. The PHA may inspect the contract unit and premises at such times as the PHA determines necessary, to ensure that the unit is in accordance with the HQS.
- f. The PHA must notify the owner of any HQS defects shown by the inspection.
- g. The owner must provide all housing services as agreed to in the lease.

4. Term of HAP Contract

- a. **Relation to lease term.** The term of the HAP contract begins on the first day of the initial term of the lease, and terminates on the last day of the term of the lease (including the initial lease term and any extensions).
- b. **When HAP contract terminates.**
 - (1) The HAP contract terminates automatically if the lease is terminated by the owner or the tenant.
 - (2) The PHA may terminate program assistance for the family for any grounds authorized in accordance with HUD requirements. If the PHA terminates program assistance for the family, the HAP contract terminates automatically.
 - (3) If the family moves from the contract unit, the HAP contract terminates automatically.
 - (4) The HAP contract terminates automatically 180 calendar days after the last housing assistance payment to the owner.
 - (5) The PHA may terminate the HAP contract if the PHA determines, in accordance with HUD requirements, that available program funding is not sufficient to support continued assistance for families in the program.

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- (6) The PHA may terminate the HAP contract if the PHA determines that the contract unit does not provide adequate space in accordance with the HQS because of an increase in family size or a change in family composition.
 - (7) If the family breaks up, the PHA may terminate the HAP contract, or may continue housing assistance payments on behalf of family members who remain in the contract unit.
 - (8) The PHA may terminate the HAP contract if the PHA determines that the unit does not meet all requirements of the HQS, or determines that the owner has otherwise breached the HAP contract.
- 5. Provision and Payment for Utilities and Appliances**
- a. The lease must specify what utilities are to be provided or paid by the owner or the tenant.
 - b. The lease must specify what appliances are to be provided or paid by the owner or the tenant.
 - c. Part A of the HAP contract specifies what utilities and appliances are to be provided or paid by the owner or the tenant. The lease shall be consistent with the HAP contract.
- 6. Rent to Owner: Reasonable Rent**
- a. During the HAP contract term, the rent to owner may at no time exceed the reasonable rent for the contract unit as most recently determined or re-determined by the PHA in accordance with HUD requirements.
 - b. The PHA must determine whether the rent to owner is reasonable in comparison to rent for other comparable unassisted units. To make this determination, the PHA must consider:
 - (1) The location, quality, size, unit type, and age of the contract unit; and
 - (2) Any amenities, housing services, maintenance and utilities provided and paid by the owner.
 - c. The PHA must re-determine the reasonable rent when required in accordance with HUD requirements. The PHA may re-determine the reasonable rent at any time.
 - d. During the HAP contract term, the rent to owner may not exceed rent charged by the owner for comparable unassisted units in the premises. The owner must give the PHA any information requested by the PHA on rents charged by the owner for other units in the premises or elsewhere.
- 7. PHA Payment to Owner**
- a. **When paid**
 - (1) During the term of the HAP contract, the PHA must make monthly housing assistance payments to the owner on behalf of the family at the beginning of each month.
 - (2) The PHA must pay housing assistance payments promptly when due to the owner.
 - (3) If housing assistance payments are not paid promptly when due after the first two calendar months of the HAP contract term, the PHA shall pay the owner
 - penalties in accordance with generally accepted practices and law, as applicable in the local housing market, governing penalties for late payment by a tenant. However, the PHA shall not be obligated to pay any late payment penalty if HUD determines that late payment by the PHA is due to factors beyond the PHA's control. Moreover, the PHA shall not be obligated to pay any late payment penalty if housing assistance payments by the PHA are delayed or denied as a remedy for owner breach of the HAP contract (including any of the following PHA remedies: recovery of overpayments, suspension of housing assistance payments, abatement or reduction of housing assistance payments, termination of housing assistance payments and termination of the contract).
 - (4) Housing assistance payments shall only be paid to the owner while the family is residing in the contract unit during the term of the HAP contract. The PHA shall not pay a housing assistance payment to the owner for any month after the month when the family moves out.
 - b. **Owner compliance with HAP contract.** Unless the owner has complied with all provisions of the HAP contract, the owner does not have a right to receive housing assistance payments under the HAP contract.
 - c. **Amount of PHA payment to owner**
 - (1) The amount of the monthly PHA housing assistance payment to the owner shall be determined by the PHA in accordance with HUD requirements for a tenancy under the voucher program.
 - (2) The amount of the PHA housing assistance payment is subject to change during the HAP contract term in accordance with HUD requirements. The PHA must notify the family and the owner of any changes in the amount of the housing assistance payment.
 - (3) The housing assistance payment for the first month of the HAP contract term shall be pro-rated for a partial month.
 - d. **Application of payment.** The monthly housing assistance payment shall be credited against the monthly rent to owner for the contract unit.
 - e. **Limit of PHA responsibility.**
 - (1) The PHA is only responsible for making housing assistance payments to the owner in accordance with the HAP contract and HUD requirements for a tenancy under the voucher program.
 - (2) The PHA shall not pay any portion of the rent to owner in excess of the housing assistance payment. The PHA shall not pay any other claim by the owner against the family.
 - f. **Overpayment to owner.** If the PHA determines that the owner is not entitled to the housing assistance payment or any part of it, the PHA, in addition to other remedies, may deduct the amount of the overpayment from any amounts due the owner (including amounts due under any other Section 8 assistance contract).

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8. Owner Certification

During the term of this contract, the owner certifies that:

- a. The owner is maintaining the contract unit and premises in accordance with the HQS.
- b. The contract unit is leased to the tenant. The lease includes the tenancy addendum (Part C of the HAP contract), and is in accordance with the HAP contract and program requirements. The owner has provided the lease to the PHA, including any revisions of the lease.
- c. The rent to owner does not exceed rents charged by the owner for rental of comparable unassisted units in the premises.
- d. Except for the rent to owner, the owner has not received and will not receive any payments or other consideration (from the family, the PHA, HUD, or any other public or private source) for rental of the contract unit during the HAP contract term.
- e. The family does not own or have any interest in the contract unit.
- f. To the best of the owner's knowledge, the members of the family reside in the contract unit, and the unit is the family's only residence.
- g. The owner (including a principal or other interested party) is not the parent, child, grandparent, grandchild, sister, or brother of any member of the family, unless the PHA has determined (and has notified the owner and the family of such determination) that approving rental of the unit, notwithstanding such relationship, would provide reasonable accommodation for a family member who is a person with disabilities.

9. Prohibition of Discrimination. In accordance with applicable equal opportunity statutes, Executive Orders, and regulations:

- a. The owner must not discriminate against any person because of race, color, religion, sex, national origin, age, familial status, or disability in connection with the HAP contract.
- b. The owner must cooperate with the PHA and HUD in conducting equal opportunity compliance reviews and complaint investigations in connection with the HAP contract.

10. Owner's Breach of HAP Contract

- a. Any of the following actions by the owner (including a principal or other interested party) is a breach of the HAP contract by the owner:
 - (1) If the owner has violated any obligation under the HAP contract, including the owner's obligation to maintain the unit in accordance with the HQS.
 - (2) If the owner has violated any obligation under any other housing assistance payments contract under Section 8.
- (3) If the owner has committed fraud, bribery or any other corrupt or criminal act in connection with any Federal housing assistance program

- (4) For projects with mortgages insured by HUD or loans made by HUD, if the owner has failed to comply with the regulations for the applicable mortgage insurance or loan program, with the mortgage or mortgage note, or with the regulatory agreement; or if the owner has committed fraud, bribery or any other corrupt or criminal act in connection with the mortgage or loan.

- (5) If the owner has engaged in any drug-related criminal activity or any violent criminal activity.

- b. If the PHA determines that a breach has occurred, the PHA may exercise any of its rights and remedies under the HAP contract, or any other available rights and remedies for such breach. The PHA shall notify the owner of such determination, including a brief statement of the reasons for the determination. The notice by the PHA to the owner may require the owner to take corrective action, as verified or determined by the PHA, by a deadline prescribed in the notice.
- c. The PHA's rights and remedies for owner breach of the HAP contract include recovery of overpayments, suspension of housing assistance payments, abatement or other reduction of housing assistance payments, termination of housing assistance payments, and termination of the HAP contract.
- d. The PHA may seek and obtain additional relief by judicial order or action, including specific performance, other injunctive relief or order for damages.
- e. Even if the family continues to live in the contract unit, the PHA may exercise any rights and remedies for owner breach of the HAP contract.
- f. The PHA's exercise or non-exercise of any right or remedy for owner breach of the HAP contract is not a waiver of the right to exercise that or any other right or remedy at any time.

11. PHA and HUD Access to Premises and Owner's Records

- a. The owner must provide any information pertinent to the HAP contract that the PHA or HUD may reasonably require.
- b. The PHA, HUD and the Comptroller General of the United States shall have full and free access to the contract unit and the premises, and to all accounts and other records of the owner that are relevant to the HAP contract, including the right to examine or audit the records and to make copies.
- c. The owner must grant such access to computerized or other electronic records, and to any computers, equipment or facilities containing such records, and must provide any information or assistance needed to access the records.

12. Exclusion of Third Party Rights

- a. The family is not a party to or third party beneficiary of Part B of the HAP contract. The family may not enforce any provision of Part B, and may not exercise any right or remedy against the owner or PHA under Part B.

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- b. The tenant or the PHA may enforce the tenancy addendum (Part C of the HAP contract) against the owner, and may exercise any right or remedy against the owner under the tenancy addendum.
- c. The PHA does not assume any responsibility for injury to, or any liability to, any person injured as a result of the owner's action or failure to act in connection with management of the contract unit or the premises or with implementation of the HAP contract, or as a result of any other action or failure to act by the owner.
- d. The owner is not the agent of the PHA, and the HAP contract does not create or affect any relationship between the PHA and any lender to the owner or any suppliers, employees, contractors or subcontractors used by the owner in connection with management of the contract unit or the premises or with implementation of the HAP contract.

13. Conflict of Interest

- a. "Covered individual" means a person or entity who is a member of any of the following classes:
 - (1) Any present or former member or officer of the PHA (except a PHA commissioner who is a participant in the program);
 - (2) Any employee of the PHA, or any contractor, subcontractor or agent of the PHA, who formulates policy or who influences decisions with respect to the program;
 - (3) Any public official, member of a governing body, or State or local legislator, who exercises functions or responsibilities with respect to the program; or
 - (4) Any member of the Congress of the United States.
- b. A covered individual may not have any direct or indirect interest in the HAP contract or in any benefits or payments under the contract (including the interest of an immediate family member of such covered individual) while such person is a covered individual or during one year thereafter.
- c. "Immediate family member" means the spouse, parent (including a stepparent), child (including a stepchild), grandparent, grandchild, sister or brother (including a stepsister or stepbrother) of any covered individual.
- d. The owner certifies and is responsible for assuring that no person or entity has or will have a prohibited interest, at execution of the HAP contract, or at any time during the HAP contract term.
- e. If a prohibited interest occurs, the owner shall promptly and fully disclose such interest to the PHA and HUD.
- f. The conflict of interest prohibition under this section may be waived by the HUD field office for good cause.
- g. No member of or delegate to the Congress of the United States or resident commissioner shall be admitted to any share or part of the HAP contract or to any benefits which may arise from it.

14. Assignment of the HAP Contract

- a. The owner may not assign the HAP contract to a new owner without the prior written consent of the PHA.
- b. If the owner requests PHA consent to assign the HAP contract to a new owner, the owner shall supply any information as required by the PHA pertinent to the proposed assignment.
- c. The HAP contract may not be assigned to a new owner that is debarred, suspended or subject to a limited denial of participation under HUD regulations (see 24 Code of Federal Regulations Part 24).
- d. The HAP contract may not be assigned to a new owner if HUD has prohibited such assignment because:
 - (1) The Federal government has instituted an administrative or judicial action against the owner or proposed new owner for violation of the Fair Housing Act or other Federal equal opportunity requirements, and such action is pending; or
 - (2) A court or administrative agency has determined that the owner or proposed new owner violated the Fair Housing Act or other Federal equal opportunity requirements.
- e. The HAP contract may not be assigned to a new owner if the new owner (including a principal or other interested party) is the parent, child, grandparent, grandchild, sister or brother of any member of the family, unless the PHA has determined (and has notified the family of such determination) that approving the assignment, notwithstanding such relationship, would provide reasonable accommodation for a family member who is a person with disabilities.
- f. The PHA may deny approval to assign the HAP contract if the owner or proposed new owner (including a principal or other interested party):
 - (1) Has violated obligations under a housing assistance payments contract under Section 8;
 - (2) Has committed fraud, bribery or any other corrupt or criminal act in connection with any Federal housing program;
 - (3) Has engaged in any drug-related criminal activity or any violent criminal activity;
 - (4) Has a history or practice of non-compliance with the HQS for units leased under the Section 8 tenant-based programs, or non-compliance with applicable housing standards for units leased with project-based Section 8 assistance or for units leased under any other Federal housing program;
 - (5) Has a history or practice of failing to terminate tenancy of tenants assisted under any Federally assisted housing program for activity engaged in by the tenant, any member of the household, a guest or another person under the control of any member of the household that:
 - (a) Threatens the right to peaceful enjoyment of the premises by other residents;

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- (b) Threatens the health or safety of other residents, of employees of the PHA, or of owner employees or other persons engaged in management of the housing;
- (c) Threatens the health or safety of, or the right to peaceful enjoyment of their residents by, persons residing in the immediate vicinity of the premises; or
- (d) Is drug-related criminal activity or violent criminal activity;
- (6) Has a history or practice of renting units that fail to meet State or local housing codes; or
- (7) Has not paid State or local real estate taxes, fines or assessments.
- g. The new owner must agree to be bound by and comply with the HAP contract.

The agreement must be in writing, and in a form acceptable to the PHA. The new owner must give the PHA a copy of the executed agreement.

15. Written Notices. Any notice by the PHA or the owner in connection with this contract must be in writing.

16. Entire Agreement: Interpretation

- a. The HAP contract contains the entire agreement between the owner and the PHA.
- b. The HAP contract shall be interpreted and implemented in accordance with HUD requirements, including the HUD program regulations at 24 Code of Federal
- c. Regulations Part 982.

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**Housing Assistance Payments Contract
(HAP Contract)
Section 8 Tenant-Based Assistance
Housing Choice Voucher Program**

**U.S. Department of Housing and
Urban Development
Office of Public and Indian Housing**

Part C of HAP Contract: Tenancy Addendum

1. Section 8 Voucher Program

- a. The owner is leasing the contract unit to the tenant for occupancy by the tenant's family with assistance for a tenancy under the Section 8 housing choice voucher program (voucher program) of the United States Department of Housing and Urban Development (HUD).
- b. The owner has entered into a Housing Assistance Payments Contract (HAP contract) with the PHA under the voucher program. Under the HAP contract, the PHA will make housing assistance payments to the owner to assist the tenant in leasing the unit from the owner.

2. Lease

- a. The owner has given the PHA a copy of the lease, including any revisions agreed by the owner and the tenant. The owner certifies that the terms of the lease are in accordance with all provisions of the HAP contract and that the lease includes the tenancy addendum.
- b. The tenant shall have the right to enforce the tenancy addendum against the owner. If there is any conflict between the tenancy addendum and any other provisions of the lease, the language of the tenancy addendum shall control.

3. Use of Contract Unit

- a. During the lease term, the family will reside in the contract unit with assistance under the voucher program.
- b. The composition of the household must be approved by the PHA. The family must promptly inform the PHA of the birth, adoption or court-awarded custody of a child. Other persons may not be added to the household without prior written approval of the owner and the PHA.
- c. The contract unit may only be used for residence by the PHA-approved household members. The unit must be the family's only residence. Members of the household may engage in legal profit making activities incidental to primary use of the unit for residence by members of the family.
- d. The tenant may not sublease or let the unit.
- e. The tenant may not assign the lease or transfer the unit.

4. Rent to Owner

- a. The initial rent to owner may not exceed the amount approved by the PHA in accordance with HUD requirements.
- b. Changes in the rent to owner shall be determined by the provisions of the lease. However, the owner may not raise the rent during the initial term of the lease.
- c. During the term of the lease (including the initial term of the lease and any extension term), the rent to owner may at no time exceed:
 - (1) The reasonable rent for the unit as most recently determined or re-determined by the PHA in accordance with HUD requirements, or

- (2) Rent charged by the owner for comparable unassisted units in the premises.

5. Family Payment to Owner

- a. The family is responsible for paying the owner any portion of the rent to owner that is not covered by the PHA housing assistance payment.
- b. Each month, the PHA will make a housing assistance payment to the owner on behalf of the family in accordance with the HAP contract. The amount of the monthly housing assistance payment will be determined by the PHA in accordance with HUD requirements for a tenancy under the Section 8 voucher program.
- c. The monthly housing assistance payment shall be credited against the monthly rent to owner for the contract unit.
- d. The tenant is not responsible for paying the portion of rent to owner covered by the PHA housing assistance payment under the HAP contract between the owner and the PHA. A PHA failure to pay the housing assistance payment to the owner is not a violation of the lease. The owner may not terminate the tenancy for nonpayment of the PHA housing assistance payment.
- e. The owner may not charge or accept, from the family or from any other source, any payment for rent of the unit in addition to the rent to owner. Rent to owner includes all housing services, maintenance, utilities and appliances to be provided and paid by the owner in accordance with the lease.
- f. The owner must immediately return any excess rent payment to the tenant.

6. Other Fees and Charges

- a. Rent to owner does not include cost of any meals or supportive services or furniture which may be provided by the owner.
- b. The owner may not require the tenant or family members to pay charges for any meals or supportive services or furniture which may be provided by the owner. Nonpayment of any such charges is not grounds for termination of tenancy.
- c. The owner may not charge the tenant extra amounts for items customarily included in rent to owner in the locality, or provided at no additional cost to unsubsidized tenants in the premises.

**7. Maintenance, Utilities, and Other Services a.
Maintenance**

- (1) The owner must maintain the unit and premises in accordance with the HQS.
- (2) Maintenance and replacement (including redecoration) must be in accordance with the standard practice for the building concerned as established by the owner.

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b. Utilities and appliances

- (1) The owner must provide all utilities needed to comply with the HQS.
- (2) The owner is not responsible for a breach of the HQS caused by the tenant's failure to:
 - (a) Pay for any utilities that are to be paid by the tenant.
 - (b) Provide and maintain any appliances that are to be provided by the tenant.

c. Family damage. The owner is not responsible for a breach of the HQS because of damages beyond normal wear and tear caused by any member of the household or by a guest.

d. Housing services. The owner must provide all housing services as agreed to in the lease.

8. Termination of Tenancy by Owner

a. Requirements. The owner may only terminate the tenancy in accordance with the lease and HUD requirements.

b. Grounds. During the term of the lease (the initial term of the lease or any extension term), the owner may only terminate the tenancy because of:

- (1) Serious or repeated violation of the lease;
- (2) Violation of Federal, State, or local law that imposes obligations on the tenant in connection with the occupancy or use of the unit and the premises;
- (3) Criminal activity or alcohol abuse (as provided in paragraph c); or
- (4) Other good cause (as provided in paragraph d).

c. Criminal activity or alcohol abuse.

- (1) The owner may terminate the tenancy during the term of the lease if any member of the household, a guest or another person under a resident's control commits any of the following types of criminal activity:
 - (a) Any criminal activity that threatens the health or safety of, or the right to peaceful enjoyment of the premises by, other residents (including property management staff residing on the premises);
 - (b) Any criminal activity that threatens the health or safety of, or the right to peaceful enjoyment of their residences by, persons residing in the immediate vicinity of the premises;
 - (c) Any violent criminal activity on or near the premises; or
 - (d) Any drug-related criminal activity on or near the premises.

(2) The owner may terminate the tenancy during the term of the lease if any member of the household is:

- (a) Fleeing to avoid prosecution, or custody or confinement after conviction, for a crime, or attempt to commit a crime, that is a felony under the laws of the place from which the individual flees, or that, in the case of the State of New Jersey, is a high misdemeanor; or
- (b) Violating a condition of probation or parole under Federal or State law.

(3) The owner may terminate the tenancy for criminal activity by a household member in accordance with this section if the owner determines that the household member has committed the criminal activity, regardless of whether the household member has been arrested or convicted for such activity.

(4) The owner may terminate the tenancy during the term of the lease if any member of the household has engaged in abuse of alcohol that threatens the health, safety or right to peaceful enjoyment of the premises by other residents.

d. Other good cause for termination of tenancy

(1) During the initial lease term, other good cause for termination of tenancy must be something the family did or failed to do.

(2) During the initial lease term or during any extension term, other good cause includes:

- (a) Disturbance of neighbors, (b) Destruction of property, or
- (c) Living or housekeeping habits that cause damage to the unit or premises.

(3) After the initial lease term, such good cause includes: (a) The tenant's failure to accept the owner's offer of a new lease or revision;

(b) The owner's desire to use the unit for personal or family use or for a purpose other than use as a residential rental unit; or

(c) A business or economic reason for termination of the tenancy (such as sale of the property, renovation of the unit, the owner's desire to rent the unit for a higher rent).

e. Eviction by court action. The owner may only evict the tenant by a court action.

f. Owner notice of grounds

(1) At or before the beginning of a court action to evict the tenant, the owner must give the tenant a notice that specifies the grounds for termination of tenancy. The notice may be included in or combined with any owner eviction notice.

(2) The owner must give the PHA a copy of any owner eviction notice at the same time the owner notifies the tenant.

(3) Eviction notice means a notice to vacate, or a complaint or other initial pleading used to begin an eviction action under State or local law.

9. Lease: Relation to HAP Contract

If the HAP contract terminates for any reason, the lease terminates automatically.

10. PHA Termination of Assistance

The PHA may terminate program assistance for the family for any grounds authorized in accordance with HUD requirements. If the PHA terminates program assistance for the family, the lease terminates automatically.

Previous editions are obsolete
form HUD-52641 (3/2000)
ref Handbook 7420.8

11. Family Move Out

The tenant must notify the PHA and the owner before the family moves out of the unit.

12. Security Deposit

- a. The owner may collect a security deposit from the tenant. (However, the PHA may prohibit the owner from collecting a security deposit in excess of private market practice, or in excess of amounts charged by the owner to unassisted tenants. Any such PHA-required restriction must be specified in the HAP contract.)
- b. When the family moves out of the contract unit, the owner, subject to State and local law, may use the security deposit, including any interest on the deposit, as reimbursement for any unpaid rent payable by the tenant, any damages to the unit or any other amounts that the tenant owes under the lease.
- c. The owner must give the tenant a list of all items charged against the security deposit, and the amount of each item. After deducting the amount, if any, used to reimburse the owner, the owner must promptly refund the full amount of the unused balance to the tenant.
- d. If the security deposit is not sufficient to cover amounts the tenant owes under the lease, the owner may collect the balance from the tenant.

13. Prohibition of Discrimination

In accordance with applicable equal opportunity statutes, Executive Orders, and regulations, the owner must not discriminate against any person because of race, color, religion, sex, national origin, age, familial status or disability in connection with the lease.

14. Conflict with Other Provisions of Lease

- a. The terms of the tenancy addendum are prescribed by HUD in accordance with Federal law and regulation, as a condition for Federal assistance to the tenant and tenant's family under the Section 8 voucher program.
- b. In case of any conflict between the provisions of the tenancy addendum as required by HUD, and any other provisions of the lease or any other agreement between the owner and the tenant, the requirements of the HUD-required tenancy addendum shall control.

15. Changes in Lease or Rent

- a. The tenant and the owner may not make any change in the tenancy addendum. However, if the tenant and the owner agree to any other changes in the lease, such changes must be in writing, and the owner must immediately give the PHA a copy of such changes. The lease, including any changes, must be in accordance with the requirements of the tenancy addendum.
- b. In the following cases, tenant-based assistance shall not be continued unless the PHA has approved a new tenancy in accordance with program requirements and has executed a new HAP contract with the owner:
 - (1) If there are any changes in lease requirements governing tenant or owner responsibilities for utilities or appliances;
 - (2) If there are any changes in lease provisions governing the term of the lease;
- (3) If the family moves to a new unit, even if the unit is in the same building or complex

- c. PHA approval of the tenancy, and execution of a new HAP contract, are not required for agreed changes in the lease other than as specified in paragraph b.
- d. The owner must notify the PHA of any changes in the amount of the rent to owner at least sixty days before any such changes go into effect, and the amount of the rent to owner following any such agreed change may not exceed the reasonable rent for the unit as most recently determined or re-determined by the PHA in accordance with HUD requirements.

16. Notices

Any notice under the lease by the tenant to the owner or by the owner to the tenant must be in writing.

17. Definitions

Contract unit. The housing unit rented by the tenant with assistance under the program.

Family. The persons who may reside in the unit with assistance under the program.

HAP contract. The housing assistance payments contract between the PHA and the owner. The PHA pays housing assistance payments to the owner in accordance with the HAP contract.

Household. The persons who may reside in the contract unit. The household consists of the family and any PHA-approved live-in aide. (A live-in aide is a person who resides in the unit to provide necessary supportive services for a member of the family who is a person with disabilities.)

Housing quality standards (HQS). The HUD minimum quality standards for housing assisted under the Section 8 tenant-based programs.

HUD. The U.S. Department of Housing and Urban Development.

HUD requirements. HUD requirements for the Section 8 program. HUD requirements are issued by HUD headquarters, as regulations, Federal Register notices or other binding program directives.

Lease. The written agreement between the owner and the tenant for the lease of the contract unit to the tenant. The lease includes the tenancy addendum prescribed by HUD.

PHA. Public Housing Agency.

Premises. The building or complex in which the contract unit is located, including common areas and grounds.

Program. The Section 8 housing choice voucher program.

Rent to owner. The total monthly rent payable to the owner for the contract unit. The rent to owner is the sum of the portion of rent payable by the tenant plus the PHA housing assistance payment to the owner.

Section 8. Section 8 of the United States Housing Act of 1937 (42 United States Code 1437f).

Tenant. The family member (or members) who leases the unit from the owner.

Voucher program. The Section 8 housing choice voucher program. Under this program, HUD provides funds to an PHA for rent subsidy on behalf of eligible families. The tenancy under the lease will be assisted with rent subsidy for a tenancy under the voucher program

Internal Revenue Code Section 1031

States:

“No gain or loss shall be recognized if property held for productive use in a trade or business or for investment purposes is exchanged solely for property of a like – kind”

Types of Exchanges

- ⇒ Simultaneous—sell property A and buy property B on the same day
- ⇒ Delayed—sell property A and buy property B in the future (must follow rules)
- ⇒ Construction/Improvement—Sell property A build property B with in 180 days. Must have certificate of occupancy
- ⇒ Reverse 1031 Exchange—buy property B before you sell property A
- ⇒ Multi Property; Multi Party
- ⇒ Cannot Be Primary Residence

The Delayed Exchange (Starker Exchange)

- ⇒ 45 Days To Select Target
- ⇒ 180 Days To Close
- ⇒ Like Kind (Real Estate for Real Estate)
- ⇒ Approved Intermediary—Intermediaries handle the money and do the paperwork.
- ⇒ 1 Year Minimum Hold

1031 Tax Deferred Exchange

Keep Points

- ⇒ Cannot handle money
- ⇒ Must identify not more than 3 properties equal or greater value
- ⇒ Include intent to do the 1031 in sales contract
- ⇒ Alert title company that the 1031 exchange is taking place

P and S Addendum

There are certain provisions that are required in a Purchase and Sale Agreement in order to enter into an exchange. A Purchase and Sale Agreement should contain language establishing the exchanger's intent and notifying the buyer of the exchange. Examples are:

When Selling:

"It is the intent of the Seller to perform an IRC Section 1031 tax deferred exchange by trading the property herein with Starker Services, Inc (or the name of your Qualified Intermediary). Buyer agrees to execute an Assignment Agreement at the request of Seller at no additional cost or liability to Buyer."

When Buying:

"It is the intent of the Buyer to perform an IRC Section 1031 tax deferred exchange by trading the property herein with Starker Services, Inc. (or the name of your Qualified Intermediary). Seller agrees to execute an Assignment Agreement at the request of Buyer at no additional cost or liability to Seller."

Offers/Contracts Team Building

Confidentiality Agreement

Letter of Intent—The Offer

Purchase and Sale Agreement

Estoppels— Tenant Verification forms

Elements Of Contract

- ⇒ An Offer (Term: Price, Timing)
- ⇒ An Acceptance
- ⇒ Competent Parties
- ⇒ Legal Purpose
- ⇒ Written Documentation
- ⇒ Legal Description
- ⇒ Consideration (Sole Remedy)
- ⇒ Signature Of Principals
- ⇒ Addendums

**Commercial 102 Confidentiality Agreement
CONFIDENTIALITY AGREEMENT**

Mr Real Estate Broker
ABC Commercial Real Estate, Inc.
100 Main Street
Rockland, MA 02370

**Re: XYZ Apartments
555 Washington Street
City, State**

Date 11/12/1234

Dear Mr Real Estate Broker

,

We understand that certain confidential material, data and information (the "Information") is being delivered to the undersigned entity (the "Reviewing Entity") by Seller's Representative, in connection with the possible sale of the Property and is being provided with the Reviewing Entity's own risk. The term Seller as used herein shall mean various subsidiaries and affiliates of Principal, which are fee titleholders or beneficial owners of the Property.

The Reviewing Entity agrees that the Information will be kept confidential and shall not be disclosed by the Reviewing Entity, or by its agents, representatives or employees, except if Reviewing Entity obtains a **Confidentiality Agreement, on a form similar to this Confidentiality Agreement, from the person or entity to whom the Information is being disclosed.** Moreover, the Reviewing Entity agrees to reveal the Information only to those of its agents, representatives and employees who need to know the Information and who are informed by the Reviewing Entity of the confidential nature of the Information. The Reviewing Entity or its agents, representatives and employees will not volunteer or disclose in any way to any person (I) the fact that the Information has been made available, (II) any of the Information or any summaries or notes thereof, (III) the fact that discussions or negotiations are taking place or will take place or (IV) any of the terms, conditions or other facts with respect to the possible acquisition of the Property.

The Reviewing Entity hereby releases and discharges any and all claims it may have against Seller or Seller's Representative arising out of the delivery of the Information to the Reviewing Entity or any inaccuracy of the Information. Further, the Reviewing Entity hereby agrees to indemnify and hold harmless Seller and Seller's Representative from any and all claims arising out of the delivery to Reviewing Entity of the Information.

The Reviewing Entity agrees that if it, its agents, representatives, or employees commits a breach of any of the provisions of this Agreement, Seller or Seller's Representatives shall have the right and remedy to institute proceedings to obtain immediate injunctive relief for any breach or threatened breach hereof, it being hereby acknowledged and agreed that any such breach or threatened breach may cause irreparable injury to Seller and its affiliates and that money damages will not provide an adequate remedy to Seller and its affiliates. This stipulation with respect to damages incurred by Seller upon a breach of this Agreement by the Reviewing Entity shall be limited to use in an action for injunctive relief. Further, nothing herein shall be construed to limit any other remedy available to Seller.

This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of ____.

This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors, assigns, heirs and legal representatives, including, without limitation, any corporation or other business organization with which the Reviewing Entity or Seller may merge or consolidate or to which they may transfer substantially all of their assets or otherwise enter into an acquisition or reorganization transaction.

Upon execution of this Agreement, the Reviewing Entity hereby agrees to the terms of this Agreement and upon the receipt of such executed Agreement, Seller's Representative will make the Information available to the Reviewing Entity at a mutually acceptable time and return a fully executed copy of this Agreement to the Reviewing Entity.

Very truly yours,

_____[Name of Reviewing Entity's Company, if applicable]

By: _____
Reviewing Entity

Printed Name _____

Its: _____

_____[Mailing & Email Addresses, Telephone & Facsimile Numbers]

THE LINDAHL GROUP

Re: Letter of Intent

PROPERTY:

Address:

This letter will confirm the following offer to purchase one hundred percent (100%) of the fee simple interest, including all personal property thereon and utilized in connection therewith, of the above referenced property ("Property").

1. **Purchase Price:** The Purchase Price for the Property shall be the thirteen million six hundred seventy five dollars and No/100ths Dollars (\$8,300,000.00), which shall be paid at Closing (as hereinafter defined) as follows:

- a) Cash at closing

Repair Allowance: Sellers shall issue at closing a repair credit of (\$100,000) which will cover immediate repairs.

2. **Proposed Time Frame:** Seller shall submit a bona fide Purchase and Sale Agreement (the "Agreement") to Buyer with respect to the purchase and sale of the Property within ten business (10) days from the date this letter of intent is fully executed and accepted by both parties. The date the Agreement is executed by both Buyer and Seller and receipted with the Title Company (as hereinafter defined) shall be the Effective Date of the Agreement. Buyer shall have Thirty (30) days after Effective Date (the "Inspection Period") to make best efforts to perform physical inspections and other due diligence with respect to the Property and decide, in Buyer's sole discretion, whether the Property is satisfactory to Buyer.

3. **Inspection Period:** Inspections and due diligence shall include, but not be limited to, Buyer's examination and approval at Buyer's sole discretion, of the following documents and reports (to the extent that they are reasonably available):

- a) Current title commitment paid for by Seller
 - b) Current ALTA surveys to be paid for by Buyer if Buyer shall require
 - c) Existing ALTA surveys in Seller's possession
 - d) Existing leases, current rent roll (showing lease rent, lease expiration and security deposits paid for each unit)
 - e) Most recent 3 Months certified bank deposits
 - f) Current and past income and operating expenses for the most recent three years, if available

- g) Current and past capital expenditures for the past three years, if available h) Architectural, engineering, and feasibility studies as to the condition of Property, if in owner's possession
 - i) Environmental Reports (i.e. Phase I), if in owner's possession
 - j) Inventory of personal property used in connection with the Property k) Real estate tax and insurance bills for previous two years
 - l) Active service agreements
 - m) Other documents required per the Agreement to be executed
4. **Deposit:** Within three (3) days of the Effective Date of Agreement, Buyer shall deposit One Hundred Thousand and No/100ths (\$50,000) Dollars (the "Deposit") with brokers title company. After the 30 day due diligence period, if buyer determines on moving forward buyer will waive physical contingencies and put up an additional \$50,000 totaling \$100,000 hard and will be applied as credit to purchase and sales at closing.
 5. **Title Policy:** Seller shall convey good and merchantable title to the Property to Buyer and provide, at Seller's sole cost and expense, an ALTA Policy of Title Insurance, insuring the value of the title to the Property in the amount of the Purchase Price, issued by the Title Company.
 6. **Closing:** The Closing ("Closing") of the purchase and sale contemplated herein and by the Agreement shall occur at the office of the Title Company or as otherwise mutually agreed by Buyer and Seller. Closing shall take place 45 days after the expiration of Due Diligence.
 7. **Assignment:** This letter of intent may be assigned upon written consent of the seller and shall be binding upon and inure to the benefit of the parties hereto, and their successors and assigns.
 8. **Access:** Seller agrees to provide Buyer and any third party contractor engaged by Buyer (i.e. roofing contractor, etc.) reasonable access to the Property during the time that a fully executed Letter of Intent is in effect, and throughout the Inspection Period.
 9. **Prepayment Penalty:** Seller shall be responsible for any penalties or fees associated with the early payoff of any existing liens encumbering the Property.
 10. **Commissions:** Seller agrees to pay in full at Closing the agreed upon commission.

It is understood and agreed that this letter does not constitute a complete and definitive Purchase and Sale Agreement for the Property, but merely evidences the intent of the parties to enter into good faith negotiations regarding such purchase and sale on terms including, but not limited to, those outlined herein. Seller understands that Buyer has determined the Purchase Price of the preceding offer based on past and current financial information supplied by Seller, same being an accurate representation of the Property's economic operation to Seller's best knowledge and belief.

This letter is open for your _____ approval and acceptance below for a period of five (5) business days from the date of Buyer's signature. This letter is in consideration of the substantial expenditure of time, effort, and money to be undertaken by the Buyer in connection with the preparation and execution of the Agreement, the various reviews, investigations, and _____ verifications referred to above.

In addition, Seller agrees to negotiate in good faith in an attempt to successfully conclude the purchase of the Property by Buyer, and to keep confidential the content of this letter of intent except with respect to the officers and partners of Seller and its legal advisors.

If this letter of intent is acceptable, please indicate by signing and dating duplicate originals of this letter in the space provided below and returning one fully executed letter to the above address. A facsimile signature by a representative Buyer and/or Seller on a counterpart of this letter of intent shall be binding and effective for all purposes. Such representative of Buyer and/or Seller shall, however, subsequently deliver to each party an original executed copy of this letter of intent.

AGREED AND ACCEPTED:

The Lindahl Group
(Buyer)

Owner of Record
(Seller)

David Lindahl
President

Date

Owner of record

Date

Commercial 102 Sales Agreement

Date: _____

_____(SELLER) hereby agrees to sell and _____or

Assigns, (PURCHASER) hereby agrees to purchase the _____

Unit apartment property commonly known as _____Apartments, together with all improvements thereon and appurtenances thereto, (Property) Situated in the City of _____, County of _____, _____, on the terms stated below.

Address:

1. **THE PURCHASE PRICE** shall be: \$ _____payable
as follows:
EARNEST MONEY, (see below) \$ _____
BALANCE (approximate) due on closing this sale: \$ _____(less closing costs, discount points, prepaid items, and other expenses of Seller)

2. **AGENCY DISCLOSURE:**

The selling company is

The selling company is: An Agent of the Purchaser.
Assisting the Purchaser (*check one or both*) as a transaction Broker.

Purchaser's Initials _____

Seller's Initials _____

3. CONDITION OF PROPERTY: Neither Seller nor any Agent makes any representations or warranties regarding condition of the Property except to the extent expressly and specifically set forth herein. Purchaser has the obligation to determine, either personally or through or with a representative of Purchaser's choosing, any and all conditions of the Property material to Purchaser's decision to buy the Property, including without limitation, the condition of the heating, cooling, plumbing and electrical systems and any built-in appliances, and the roof and the basement, including floors; structural condition; subsurface condition; utility and sewer or septic tank availability and condition.

- a. Except as may be required in order to comply with Addendum I, Paragraph 6 below, **Seller shall not be required to make any repairs to the Property whatsoever under this Agreement. Purchaser accepts the Property in its present "as is" condition.** including ordinary wear and tear to the closing date. However, if the Property suffers material damage beyond ordinary wear and tear prior to the closing date, and Seller refuses to pay for any repairs reasonably

required to restore the Property to a condition at least as good as previously existing, ordinary wear and tear excepted, Purchaser may proceed with the closing or cancel the Agreement and recover the Earnest Money by notifying Seller in writing of the cancellation within 48 hours of Purchaser's receipt of Seller's notice or refusal to pay for such repairs; provided, that the notice of cancellation must in any event be received prior to closing.

- b. Within 30 days of the Effective Date of this Agreement, Purchaser may perform a site investigation, at Purchaser's expense, of said Property to determine the existence and levels of any hazardous substances on the said Property. If such investigation reveals evidence that said Property contains any hazardous or toxic waste, mold, substance or material, or any oil or pesticides, Purchaser may, at its option, rescind this Agreement and all Earnest Money shall be refunded to the Purchaser. **It shall be the responsibility of the Purchaser, at Purchaser's expense, to satisfy himself that all conditions of this Agreement are satisfied before closing.** After closing, all conditions of the Property, as well as any aforementioned items and systems, are the responsibility of the Purchaser. **THE AGENT MAKES NO REPRESENTATION OR WARRANTY OF ANY KIND AS TO THE CONDITION OF THE SUBJECT PROPERTY.**

4. EARNEST MONEY & PURCHASERS' DEFAULT: Within 48 hours after the

Effective Date, the Earnest Money shall be delivered by Purchaser to _____ . Seller and Purchaser hereby direct, __, to hold the Earnest Money in trust until this Agreement has been accepted and signed by all parties, at which time the Earnest Money will be promptly deposited into the Trust account. In the event Purchaser fails to carry out and perform the terms of this Agreement, the Earnest Money shall be forfeited as liquidated damages at the option of Seller, provided Seller agrees to the cancellation of this Agreement. If this Agreement does not close and the Earnest Money is to be turned over to Seller or refunded to Purchaser pursuant to this Agreement, Seller and Purchaser agree to execute a written release affirming the proper disposition of the Earnest Money. **In the event either Seller or Purchaser claims the Earnest Money, without the agreement of the other party, the Seller or Purchaser interplead the disputed portion of the Earnest Money into court, and shall be entitled to deduct or recover from the Earnest Money for court costs, attorney**

fees and other expenses relating to the interpleader. When the Earnest Money is a check and the check is returned by a financial institution as unpaid, Seller has the right to void the Agreement without further recourse on the part of the Purchaser.

5. CONVEYANCE: Seller agrees to convey the Property to Purchaser by Warranty Deed, free of all encumbrances except as herein set forth, and Seller agrees that any encumbrances not herein excepted or assumed will be cleared at the time of closing. The Property is sold and is to be conveyed subject to: (i) mineral and mining rights not owned by Seller; (ii) existing leases and tenant escrow deposits that are to be transferred to Purchaser, subject to any present management and or rental commission agreements thereon; (iii) present zoning classification; (iv) is not located in a flood plain; and (v) unless otherwise agreed herein, subject to utility easements serving the Property, subdivision covenants and restrictions, and building lines of record, provided that none of the foregoing materially impair use of the Property for its intended purposes.

6. ABSTRACT AND TITLE INSURANCE: Seller agrees to furnish at Seller's expense an updated abstract within thirty (30) days of the Effective Date,

extending back at least sixty (60) years and disclosing good and merchantable fee simple title thereon vested in Seller, permitted exceptions excluded. If a title insurance policy is obtained by Purchaser at the time of closing, all additional expenses associated with such policy will be paid by Purchaser.

7. SURVEY: Seller shall at Seller's expense procure and furnish to Buyer within twenty-one (21) days after the Effective Date of this Agreement a current certified "As Built" survey (the "Survey") of the Property prepared by a state-licensed surveyor selected by Seller (the "Surveyor"). The Survey shall also certify as to whether or not the Property is located within the 100-year flood plain.

8. PRORATIONS: Ad valorem taxes, rents, operating expenses, insurance, and accrued interest on mortgages assumed, if any, are to be prorated between Seller and Purchaser as of the date of closing, and any advance escrow deposits held by Mortgages shall be credited to Seller. **UNLESS AGREED HEREIN, ALL AD VALOREM TAXES EXCEPT MUNICIPAL ARE PRESUMED TO BE PAID IN ARREARS FOR PURPOSES OF PROBATION; MUNICIPAL TAXES, IF ANY, ARE PRESUMED TO BE PAID IN ADVANCE.**

9. CLOSING & POSSESSION DATES: Time is of the essence. The sale shall be closed and the deed delivered on or before ninety (90) days from the Effective Date of this Agreement, except Seller shall have a reasonable length of time within which to perfect title or cure defects in the title of the Property. Possession is to be given on delivery of the deed.

10. DISCLAIMER: Seller and Purchaser acknowledge that they have not relied upon advice or representations of Broker (or Broker's associated sales person(s) relative to (i) the legal or tax consequences of this Agreement and the sale, purchase or ownership of the Property; (ii) the structural condition of the Property, including condition of the roof and basement; (iii) construction materials; (iv) the nature and operating condition of the electrical, heating, air-conditioning, plumbing, water-heating systems and appliances; (v) the availability of utilities or sewer service; (vi) the character of the neighborhood; (vii) the investment or resale value of the Property including projections of income or operating expenses; (viii) compliance requirements of the American with Disabilities Act; (ix) the existence of any hazardous or toxic waste, substance, or material, including without limitation any asbestos or any oil or pesticides; (x) any state of facts which would be disclosed by an accurate survey of the Property; or (xi) any other matters affecting their willingness to sell or purchase the Property on the terms and price herein set forth. Seller and Purchaser acknowledge that if such matters are of concern to them in the decision to sell or purchase the Property, they have sought and obtained independent advice relative thereto.

11. SELLER WARRANTIES: That unless excepted herein, Seller has not received notification from any lawful authority regarding any assessments, pending public improvements, repairs, replacements, or alterations to the Property that have not been satisfactorily made. Seller warrants that Seller is the fee owner of the Property or is authorized to execute this document for the fee owner. Seller also represents that, to the best of its knowledge, except as may otherwise be expressly disclosed herein, Seller has not released or disposed of any hazardous or toxic waste, substance or material, including without limitation any asbestos or any oil or pesticides (collectively, "Hazardous Substances"), on or about the Property; has not disposed of or arranged for the disposition of any Hazardous Substances

from the Property except in compliance with all applicable federal, state or local laws; and no Hazardous Substances exist on the Property or about the Property that threaten the Property. **THESE WARRANTIES SHALL SURVIVE THE DELIVERY OF THE DEED.** Seller makes no warranty that the Property is suitable for any particular purpose, nor that the Property is in compliance with the requirements of the Americans with Disabilities Act.

12. RISK OF LOSS: Seller agrees to keep in force sufficient hazard insurance on the Property to protect all interests until this sale is closed and the deed is delivered. If the Property is destroyed or materially damaged between the date hereof and the closing, and Seller is unable or unwilling to restore it to its previous condition prior to closing, Purchaser shall have the option of canceling this Agreement and receiving the Earnest money back or accepting the Property in its then condition. If Purchaser elects to accept the Property in its damaged condition, any insurance proceeds otherwise payable to Seller by reason of such damage shall be applied to the balance of the Purchase Price or otherwise payable to Purchaser.

13. HAZARDOUS SUBSTANCES: Seller and Purchaser expressly acknowledge that neither, _____ nor any of its agents have made an independent investigation or determination with respect to the existence or nonexistence of asbestos, PCB transformers, or other toxic, hazardous or contaminated substances, mold or gases in, or about the Property, or for the presence of underground storage tanks. Any such investigation or determination shall be the responsibility of Seller and/or Purchaser and Broker(s) shall not be held responsible therefore.

14. FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT (FIRPTA): In the closing of this transaction, Seller and Purchaser shall comply with the FIRPTA and the regulations promulgated there under by the IRS.

15. DEFAULT/LEGAL REMEDIES: If Seller(s) default by wrongfully refusing to sell, or otherwise breaching this Agreement, and the Property does not close, Seller(s) agree (i) to pay said full commission due Broker(s) had the sale been consummated and (ii) Purchaser(s) may either pursue all remedies available to Purchaser(s) at law or in equity including but not limited to Specific Performance or in the event of breach, Purchaser(s) may waive such breach and elect to purchase said Property. **If Purchaser(s) default by wrongfully refusing to purchase, or by otherwise breaching this agreement, and the Property does not close, Purchaser(s) agree (i) to pay said full commission due Broker(s) had sale been consummated and (ii) Sellers(s) may pursue all remedies available to Seller(s) at law and equity including but not limited to Specific Performance and may elect that the Earnest Money be forfeited by Purchaser(s) as liquidated which shall be equally divided between (1) Seller(s) and (2) Purchaser(s) Broker (the sum to Brokers not to exceed the full commission).** Should Purchaser(s) default and if Specific Performance is enforced, Seller(s) shall pay said full commission due Broker(s) had sale been consummated. In the event of default by either Seller(s) or Purchaser(s), all reasonable attorney fees and court costs may be recoverable against the defaulting party.

15.1 SELECTION OF ATTORNEY: The parties hereto acknowledge and agree that they have agreed to share the fees of a closing attorney hereunder, and such sharing fees may involve a potential conflict of interest and they may be required to execute an affidavit at closing acknowledging their recognition and acceptance of same. Each of the parties

acknowledges that he has a right to be represented at all times in connection with this Agreement and the closing by an attorney of his own choosing, at his own expense.

16. ADDITIONAL PROVISIONS: Any additional provisions set forth on the attached exhibits, and initialed by all parties, are hereby made a part of this Agreement. See Addendum I attached hereto.

17. ENTIRE AGREEMENT: This Agreement constitutes the entire agreement between Purchaser and Seller regarding the Property, and supersedes all prior discussions, negotiations and agreements between Purchaser and Seller, whether oral or written. Neither Purchaser, Seller, Broker nor any sales Agent shall be bound by any understanding, agreement, promise, or representation concerning the Property, expressed or implied, not specified herein. Any further changes or modifications to this Agreement must be in writing and signed by the parties hereto.

18. COMMISSION: The commission payable to the Brokers(s) in this sale is not set by the Montgomery Area Association of Realtors, Inc., but in all cases is negotiable between the Brokers(s) and the client.

In this Agreement the Seller agrees to pay to John Stanley & Associates, Inc., at closing, a commission equal to 5% of the Purchase Price.

THIS AGREEMENT IS INTENDED TO BE A LEGALLY BINDING AGREEMENT. IF YOU DO NOT UNDERSTAND THE LEGAL EFFECT OF ANY PART OF THIS AGREEMENT, SEEK LEGAL ADVICE BEFORE SIGNING.

Purchaser: _____

Witness to Purchaser's Signature

SELLER: _____

Witness to Seller's Signature

Addendum

It is hereby agreed between the Purchaser and the Seller that this Addendum shall become part of the Agreement to which it is attached and that it shall further describe certain contingencies concerning the closing of this Agreement. The provisions of this Addendum shall control over any inconsistent provisions in the remainder of the Agreement.

1. Effective Date. The Effective Date of this Agreement, as described herein, will be the date this Agreement has been full executed by both Purchaser and Seller.

2. Inspection and Inspection Contingency. Seller agrees that Purchaser, either personally or through his authorized Agents, shall be entitled to enter upon and inspect the Property and the improvements (including the interior of any units) at reasonable times during the term of this Agreement, with advanced notice and accompanied by a representative of the management company.

Purchaser shall have 45 days from the Effective Date of the Agreement to, in Purchaser's sole discretion, terminate this contract if the Property is unsatisfactory to the Purchaser in any respect. In the event of the Purchaser's termination of this agreement, the Earnest Money shall be returned to Purchaser.

On or before ten (10) days from the Effective Date of the Agreement, Seller shall give Purchaser the items set forth in List of Submission Items, attached as Exhibit A. On or before Closing Date, Seller shall also provide items set forth in Additional Items, attached as Exhibit B.

3. Records. Seller agrees to make available to Purchaser or his duly authorized Agents, all applicable books and records which Seller or Seller's agents may possess or have reasonable access to, including current rental agreements; leases; operating statements; security deposits; and warranties on any personal property relating to the Property and the operation and maintenance thereof. Such books and records may be examined at any reasonable time.

4. Assignment. This contract may be assigned or transferred without the express written consent of the Seller.

5. Personal Property. Included in the Purchase Price is all personal property and fixtures located on the real property which are owned by the Seller and are used in the ownership, financing operation and maintenance of the improvements and buildings located on the Property, including without limitation, any and all furniture, furnishings, ranges, refrigerators, maintenance equipment, appliances, vehicles, signs, draperies, carpeting, financing documents and trade names connected with the Property, and all books and records relating to the Property

The real property conveyed hereunder, together with said personal property described in this subparagraph, are referred to as the "Property".

6. Operations Prior to Closing. **Prior to closing, Seller agrees to make no change in the existing rental policies, without the prior written approval of Purchaser. After the execution of this contract, all units shall be rented on a basis consistent with prior renting policies.** Prior to closing, Seller shall continue to operate the Property in accordance with past practices and shall continue to offer services and amenities in accordance with past practices. All repair orders received prior to the date of closing shall be completed by Seller. Seller will maintain and insure that all heating, cooling, plumbing systems and appliances are in good repair and working order prior to and through date of closing for all vacant and occupied units. **Seller agrees that all vacant units will be in "rent ready" condition consistent with existing rental policies.** Prior to closing, Seller shall not permit any structural modifications or additions to the Property, sell or otherwise dispose of any items of personal property, or further encumber any of the Property.

7. Miscellaneous.

(a) **At closing,** Seller shall deliver a complete set (to the extent in the possession of or available to Seller) of all architectural, mechanical, and electrical plans and specifications used in the construction of the improvements; **all sets of keys to each apartment unit; and all books and records pertaining to the Property including originals of all leases, guaranties of leases, warranties and guaranties, lease applications and credit reports. The security deposits will be transferred to the Purchaser at closing.**

(b) If either party shall employ an attorney to enforce rights hereunder, the prevailing party in any court action brought by either party shall be entitled to attorney's fees and costs incurred in bringing any action or asserting defense thereto, in addition to any other remedies or damages awarded in such action.

(c) Seller represents that no person has any option to purchase or right of first refusal respecting the property.

(d) Seller represents and warrants that all current rental agreements, copies of leases, lease guaranties, warranties, other guaranties and other books and records relating to the Property will be true and complete.

(e) It shall be a condition to Purchaser's obligation to close that Seller's representations and warranties under this contract to be true when made and as of the closing date. In the event any of Seller's representations or warranties under this contract are not true and Purchaser elects not to close, the Earnest Money shall be refunded to Purchaser.

(f) **At closing, Seller will provide a bill of sale on the personal property**, as well as an assignment of the intangibles, such as the apartment name and phone number.

8. **Tax Free Exchange.** If requested by Purchaser and/or Seller, the other party agrees that this agreement, together with the Earnest Money, may be assigned to the Qualified Exchanger to enable Purchaser and/or Seller to participate in and obtain the benefits of a tax-free exchange under Section 1031 of the Internal Revenue Code, as amended. To accomplish such tax-free exchange, Purchaser and/or Seller agrees to assist in any reasonable way, and to execute such documents and instruments as may reasonably be required.

9. **Financing Contingency.** This contract is contingent upon Purchaser securing financing for the purchase of the Property. Such financing shall upon terms and conditions acceptable to Purchaser. **As soon as possible, but not later than the end of the Inspection Period, Purchaser will submit a loan commitment to the Seller. If the financing fails for any reason outside the control of the Purchaser, the Earnest Money will be promptly**

Purchaser

Seller

EXHIBIT A

(List of Requested Submission Items, to be delivered if in Seller's Possession, or if reasonably available to Seller)

- (i) Rent roll (setting forth the rates, lease terms) concessions, unit type, beginning date, expiration date, certified by an authorized representative of Seller to be true, correct and accurate in all material respects;
- (ii) Copy of any of Seller's existing title policy or policies for the Property;
- (iii) Copies of any surveys, maps or plots of the Property in Seller's possession or control;
- (iv) Interim operating statements for the Property for the most current fiscal year and operating statements for the last two (2) fiscal years, certified by an authorized representative of the Seller to be true, correct and accurate in all material respects;
- (v) Copies of all service contracts and other operating agreements applicable to the Property (the "operating Agreements"). Check off list as follows:
 - a. Refuse removal
 - b. Termite treatment or bond (also monthly pest control)
 - c. Landscaping
 - d. Laundry Room
 - e. Vending
 - f. Cable
 - g. Advertising
 - h. Answering Service
 - i. Alarm Service
 - j. Copy of any prior environmental assessment or engineering assessment of the Property
- (vi) A list of tenant arrearages dated not earlier than fifteen (15) days from the date of submission
- (vii) Current tax bill;
- (viii) Copy of Termite Contract with letter from company stating condition of the Property and last date of inspection; and
- (ix) Insurance company name and contact with copy of policies;
- (x) Copy of management agreement.

Purchaser's Initials: _____ Date: _____

Seller's Initials _____ Date _____

EXHIBIT B

(ADDITIONAL ITEMS)

- (i) Copies of lease terms for all residents, together with a copy of the ~~standard~~ lease form for the Property with a certification that all leases conform to the standard form unless otherwise noted on such certification;
- (ii) Current rent roll, to be certified by an authorized representative of Seller at closing to be true, correct and accurate in all material respects;
- (iii) List of Personal Property and a list of any personal property that is leased by Seller in connection with the Property;
- (iv) Copies of all warranties, permits, licenses and approvals applicable to the Property;
- (v) Evidence of Seller's authority to enter into this Commercial Sales Agreement;
- (vi) Seller's Federal Tax ID number;
- (vii) Payoff letter from Seller's lender;
- (viii) List of all security deposits to be transferred; and
- (ix) Keys and/or combinations to all locks on the Property.

Purchaser's Initials: _____ Date: _____

Seller's Initials _____ Date _____

Apartments Types:

- ⇒ Assisted Living Facilities
- ⇒ Rooming Houses
- ⇒ Apartment Houses
- ⇒ Student Housing
- ⇒ B & B Facilities
- ⇒ Mini Hotels
- ⇒ SFH, Duplex, Triplex, Fourplex, Etc.

Why Multi-Units?

1. Multi Million Dollar Deals!
2. No Money Down
3. Get Immediate Cash Flow
4. Get Appreciation
5. Bonus - Acquisition Fees!

Sizes of Multi's

- | | |
|---------------|--------------|
| 1-3 Levels - | Garden Style |
| 3-10 Levels - | Mid Rise |
| 11 + Levels - | High Rise |

Wealth Formula

The faster you go big, the faster you will become wealthy
Own as many units under one roof as you can buy

Apartments

Types of Multi's

- A- Path of Progress
Built w/i last 10 years
Whit Color workers
Newer construction
Goes up first in up market but not highest
- B- White/Blue Tenants
Built w/i last 20 years
Has the highest amount of appreciation
- C- Blue/Sec 8 Tenants
Built last 30 years
Has highest amount of cash flow
Has more intense management
Has more maintenance issues
- D- War Zone
Drug Dealers
Bars on windows
Avoid these, there is an easier life!!

Apartments Unit Mix

Optimum Combinations

2-2 Beds 1-1 Bed

100 Units

66-2 Beds

33-1 Beds

Mix of 2's and 1's

All 1 Bedroom units

Must be 90% occupancy last two years

Must have higher than average unit sizes

Efficiency—most transient of all unit mixes. High tenant turnover.

Tenant turnover is an Apartment Complexes biggest expense.

Square Footage Sizes

Studio 300-450

1 Bed 450-600

2 Bed 600-800

3 Bed 800-1100

Apartments

Price Per Door

- A 75K +
- B 40-75K
- C 15-35K
- D 1-15K

Buy a bad property in a good area!!

The value of a multi-family property is in the cash flow. Always buy based on actual numbers. Don't buy based on proforma.

What if a broker or seller will only give you pro forma numbers until you submit an offer? Submit the offer based on a certain capitalization rate stating the seller agrees to sell based on that capitalization rate and if the actual numbers are different, the sales price will be adjusted accordingly.

Apartments Value Add

Always be looking to buy your properties based on a “value add” situation. This give you the opportunity to create a lot of value in the property in a short period of time. If you look for a value play in all of your purchases, you portfolio's value should grow very quickly.

We also call these “Value Plays”. Value plays only work if you buy based on actual numbers. Below are some of the most common value plays.

Value Plays

- ⇒ Low Rents—owners don't raise rents because they think a tenant will move or ask for maintenance to be done.
- ⇒ Low Occupancy— some owner/managers don't know how to market their rentals properly
- ⇒ Bad Management— this happens a lot
- ⇒ High Turnover— poor management create high turnover which creates higher than normal expenses
- ⇒ Repositioning— a property less than 85% occupied that has multiple value plays.
- ⇒ Micro-Repositioning— a property that is above 85% occupied that has multiple value plays

Apartment Case Study

Notes Page

Buying Commercial Notes!

Note Buying

Step by Step Process

- Step 1-Finding Them
- Step 2-Determining Purchase Price
- Step 3-Funding
- Step 4-Closing
- Step 5-Exit

Determine Purchase Price:

- Know What Your LTV is
- Know What Your Buying-Title
 - Security
 - Position
- Know The Situation
 - Vacant
 - Occupied
 - Tenant
 - Owner
 - Land

Determine Purchase Price:

- Who is the Borrower?
 - Financial Situation
 - Foreclosure?
 - Buy Back?
 - Temporary or Permanent

Buying Commercial Notes!

Note Buying

Funding

Private Money

International Investor

Close on the Deal and Prepare to

Execute Your Exit Strategy

Exit Strategies:

Flip-Sell to Other Investors

Sell to Current Owner

Refinance

Foreclose and Flip

Hold for Cash Flow

Foreclose and Hold for Cash Flow

Buying Commercial Notes!

Action Plan

I will purchase two properties with in the next 120 Days.

I will analyze deals on a daily basis.

I will create enough passive income over the next year through purchasing Real Estate to quit my JOB.

I will contact brokers in my chosen emerging market and check in with them on a regular rotation.

I will submit LOI's or contracts per week to sellers

I will put myself in two networking situations to offer opportunities for Private Money.

I will create a direct mail campaign and alternative ideas to allow for enough deals to enter my pipeline.

Buying Commercial Notes!

Lessons Learned

- ⇒ Money Is Better Than Ego
- ⇒ Give up control, Dream Team
- ⇒ Ready, Fire, Aim
- ⇒ I'm an introvert
- ⇒ Schedule your week, keep the appointments!
- ⇒ Live where you want, invest where it makes sense
- ⇒ Quality management means quality reports

- ⇒ Your reputation is your livelihood
- ⇒ Pay Fast
- ⇒ Make offers regularly
- ⇒ Give to Get
- ⇒ Loyalty begets loyalty
- ⇒ Educate, educate, educate
- ⇒ If you think education is expansive, try ignorance
- ⇒ Key Character Traits
- ⇒ Be coachable
- ⇒ Be decisive
- ⇒ Practice creative discipline
- ⇒ Mentors will create a shortcut