

Tax Map No.

Prepared by/Return to:
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2711 Centerville Road, Suite 401
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**DIAMOND STATE COMMUNITY LAND TRUST
CONDOMINIUM HOUSING SUBSIDY COVENANT

DUTCHMAN'S HARVEST CONDOMINIUM**

THIS AGREEMENT made this ____ day of _____, 20__ by and between _____ (collectively "Homeowner(s)") and the **DIAMOND STATE C.L.T. Inc ("DSCLT")**, a Delaware non-profit corporation with an address of 9 E Loockerman St #205, Dover, DE 1990.

ACKNOWLEDGMENT OF PURPOSE AND CONSIDERATION: The DSCLT is organized exclusively for charitable purposes, including the purpose of providing Homeownership opportunities for low- and moderate-income people who otherwise would be unable to afford Homeownership.

The Homeowner shares the goals of the DSCLT and has agreed to enter into this Covenant not only to obtain the benefits of homeownership but also to further the charitable purposes of the DSCLT.

The Homeowner and the DSCLT recognize the special nature of the terms of this Covenant, and each of them accepts these terms, including those terms that affect the marketing and resale price of the property now being purchased by the Homeowner.

The Homeowner and the DSCLT agree that the terms of this Covenant further their shared goals over an extended period of time and through a succession of Homeowners.

DSCLT is an equal housing opportunity and does not discriminate on the basis of race: religion, color, sex, age, disability, familial status, national origin, marital status, sexual preference or veteran's status.

WHEREAS, the Dutchman's Harvest Condominium was created pursuant to (1) the Residential Housing Restrictions for Dutchman's Harvest Condominium dated _____ and recorded on _____ in the Recorder's Office at Book _____, Page _____ ("Residential Restrictions") and (2) that certain Declaration Plan for Dutchman's Harvest dated _____ as prepared by _____, and recorded on _____ at the Recorder's Office at Plot Book _____, Page _____ (the "Plan").

WHEREAS, the CLT Units that are subject of this Declaration are being submitted under the provisions of the Delaware Uniform Common Ownership Interest Act at 25 Del. C. §81-100 et. seq. ("DUCIOA").

WHEREAS, Declarant is owner of those certain units located in City of Lewes, Sussex County, State of Delaware as more fully described as Exhibit A attached hereto and incorporated herein by reference (the "CLT Units" and individually known as the "CLT Unit").

WHEREAS, the Community Land Trust Units are subject to, among other documents, the Residential Restrictions, the Plan and this Declaration, as the same may be amended from time to time.

NOW THEREFORE, the Homeowner and the DSCLT agree on all the terms and conditions of this Covenant as set forth below.

PROPERTY: The real property to which this Covenant applies is that certain property conveyed by Diamond State Community Land Trust, Inc. as legally described as condominium unit No. _____, (hereinafter the "Home" located at property address **South East side Savannah Rd, across from Donovan Rd, Lewes, Sussex County, Delaware**, together with all improvements now or hereafter located thereon (the "CLT Unit"). Homeowner owns the CLT Unit pursuant to a deed recorded or to be recorded herewith in the land records of Sussex County.

DEFINITIONS: The Homeowner and the DSCLT agree on the following definitions of key terms used in this Covenant:

Base Price: The total price that is paid for the CLT Unit by the Homeowner (including the amount provided by a first mortgage loan but not including subsidy in the form of grants or deferred loans to the Homeowner).

CLT Unit: The residential dwelling plus any detached structures and permanent improvements located on the property and owned by the Homeowner, including both the original residential dwelling and other improvements described in EXHIBIT: DEED, and all permanent improvements added thereafter by the Homeowner at the Homeowner's expense.

Membership Fee: In consideration for the grant awarded, the homeowner shall become a member of DSCLT and pay an annual membership fee of \$480, payable in monthly installments of \$40 due on the first of each month. Membership entitles the Homeowner to certain services and benefits that include, but are not limited to: (i) receipt of DSCLT's newsletters and annual reports; (ii) serving as and voting for members of the Board of Directors of DSCLT; (iii) technical assistance in meeting the obligations of this Condominium Housing Subsidy Covenant; (iv) DSCLT's role in monitoring and enforcing the terms of this Covenant, ensuring that the CLT Unit continues to be affordable, and any additional amounts that the DSCLT charges to the Homeowner for reasons permitted by this Covenant.

Permitted Mortgage: A mortgage or deed of trust on the CLT Unit and the Homeowner's right to possess, occupy and use the CLT Unit granted to a lender by the Homeowner with the DSCLT's permission. The Homeowner may not grant any mortgage or deed of trust without the DSCLT's permission.

Purchase Option Price: The maximum price the Homeowner is allowed to receive for the sale of the CLT Unit and the Homeowner's right to possess, occupy and use the Home, as defined in Article 9 of this Covenant.

Qualified Capital Improvements: Those certain improvements made to the CLT Unit at the Homeowner's expense which, as determined by the DSCLT, add significant value to the CLT Unit and which are capital in nature. Qualified Capital Improvements shall not include expenditures for routine maintenance, luxury items, improvements and repairs necessitated by the actions or negligence of the Homeowner or for which reimbursement is available from the proceeds of insurance or other third parties.

REQUIREMENTS:

1. Eligibility - Any person or persons eligible for the purchase of a CLT Unit shall, at a minimum, be
 - a. At least eighteen (18) years old;
 - b. A citizen of the United States or hold lawful permanent resident status; and
 - c. Be Mortgage Eligible
2. Income Qualifications – In order to qualify for the purchase of a CLT Unit, an individual, or family, must meet certain financial guidelines. The Unit Owner must at all times meet these Qualifying Conditions while holding title to a CLT Unit:
 - a. Maximum Income: The household must have an annual income which does not exceed 80% of the Area Median Income (as defined by the U.S. Department of Housing and Urban Development or its successor agency) for the statistical area within which the housing unit is located. The following exception will be considered:
 - i. A household's annual income may exceed 80% of the Area Median Income if subsidy rules allow.
 - b. Subsidy rules: In all cases, a household's annual income must not exceed the limits required by the programs used to subsidize each particular housing opportunity.
 - c. Affordability: In order to ensure that an applicant can afford a particular housing opportunity, the projected monthly costs of owning the home may not exceed 30% of the applicant's gross monthly income. The applicant's debt to income ratio may not exceed 40%. DSCLT staff will determine the projected monthly ownership costs for each housing opportunity. In order to ensure that applicants are not over-subsidized for a particular housing opportunity, the projected monthly costs of owning the home may not be less than 20% of the applicant's gross monthly income.
 - d. Creditworthiness: The mortgage underwriting guidelines of the lending programs available to the DSCLT's qualified home buyers shall be the deciding factors regarding credit risk and the overall creditworthiness of a particular applicant.

- e. Determining Household Income: When a housing opportunity is publicly subsidized, DSCLT will follow the program rules of the subsidy source(s) to determine total household income. When a housing opportunity is not subsidized, DSCLT will follow HUD’s rules for determining total household income.
 - f. Occupancy – an applicant shall not own any other real estate, no matter where situated, at the time of the purchase of the CLT Unit.
 - g. Asset Limits – a Buyer of a CLT Unit shall not have more than twenty percent (20%) of the DSCLT price in liquid assets available after the purchase of a Unit.
3. Homeownership Counseling – Homebuyers must provide certification that they have completed a homeownership counseling program from a HUD-certified agency approved by DSCLT prior to the purchase of any CLT unit.
 4. Appropriate Size – during the first 45 days after marketing of a home has begun (“Marketing Period”), DSCLT will attempt to match household size to an appropriate home size. Although DSCLT will certainly take into consideration any home size preferences, an “Appropriate Size Unit” is, generally described as follows:
 - a. Studio: 1 person
 - b. 1 BR: 1-2 persons
 - c. 2 BR: 1-3 persons
 - d. 3 BR: 3-5 persons
 - e. 4 BR: 4-6 persons
 - f. 5 BR: 5-7 persons

During this period Unit Owner’s may only purchase an Appropriate Size Unit. After the Marketing Period has expired, a Unit Owner may work with DSCLT to purchase any size Unit in which the Unit Owner qualifies. DSCLT reserves the right at any time, and without prior written notice, to extend any Marketing Period.

5. Post Purchase Requirements: the time following the settlement by the Unit Owner on a Unit shall be defined hereinafter as the Post Closing Time Period. The Post Closing Time Period is generally considered to extend for the duration of the Unit Owner’s ownership of the unit. The Post Closing time period may be decreased at any point only upon the consent of DSCLT. During the Post Closing Time Period a Unit Owner must comply with the following requirements:
 - a. All CLT Unit Owners are required to participate in a Post-Closing Counseling Program (“PCCP”). The purpose of the PCCP is to meet with new homeowners to ensure that the Unit Owners understand the closing documents, insurance forms and requirements, property taxes, methods of making mortgage payments, extra principal payments, escrows and any maintenance or warranty requirements.

- b. Consent to be contacted by staff, directors or Board Members of DSCLT. Such purpose of the contact shall be:
 - i. Arrange for and conduct any inspection of the Unit;
 - ii. Review of Homeowners Insurance requirements; and
 - iii. Discuss Membership opportunities in DSCLT, board governance, and potential participation in workshops in connection with existing or future DSCLT projects.
 - c. Annual Stewardship Requirements: A Unit Owner is required to participate in an annual review conducted by DSCLT for the purpose of review of the home repair and maintenance, preventative maintenance steps, discussion of the budget and financial status, mortgage payment status, among other topics as determined to be necessary by DSCLT.
 - d. Resale Policy: As outlined in Section ARTICLE 9.
6. This Declaration shall remain in full force and affect until ratified, modified, or otherwise terminated.
 7. This Declaration shall be a covenant that runs with the Unit and shall be binding upon the Declarant current and future Unit Owners of any Unit listed herein in Exhibit A , as the same may be amended from time to time.
 8. Nothing stated herein, or by any amendments hereto, shall be construed to conflict with, negate or otherwise terminate any provision within the Residential Restrictions. Any conflict that arises between these covenants contained herein and the Residential Restrictions shall be construed in favor of DSCLT unless otherwise agreed between the Declarant of the Residential Restrictions and DSCLT.

ARTICLE 1: Homeowner’s Letter of Agreement and Attorney’s Letter of Acknowledgment Are Attached as Exhibits.

Attached as EXHIBIT: HOMEOWNER’S LETTER OF AGREEMENT AND ATTORNEY’S LETTER OF ACKNOWLEDGMENT, and made part of this Covenant by reference are a Letter of Agreement from the Homeowner, describing the Homeowner’s understanding and acceptance of this Covenant (including the parts of the Covenant that affect the resale of the Home), and a Letter of Acknowledgment from the Homeowner’s attorney, describing the attorney’s review of the Covenant with the Homeowner.

ARTICLE 2: Term of Covenant, Change of Homeowner

2.1 TERM OF COVENANT IS 30 (THIRTY) YEARS: This Covenant shall remain in effect for 30 (thirty) years, beginning on the _____ day of _____, and ending on the _____ day of _____ unless ended sooner or renewed as provided below.

2.2 HOMEOWNER CAN RENEW COVENANT FOR ANOTHER 30 (THIRTY) YEARS: The Homeowner may renew this Covenant for one additional period of 30 (thirty) years. The DSCLT may, at its sole discretion, change the terms of the Covenant for the renewal period prior to the beginning of any new renewal period, any such change shall be reasonable, and shall not materially and/or adversely interfere with the rights possessed by the Homeowner under the Covenant. Not more than 365 (three hundred sixty-five) nor less than 180 (one hundred eighty) days before the last day of the first 30 (thirty) -year period, the DSCLT shall give the Homeowner a written notice that states the date of the expiration of the first 30 (thirty) -year period and the conditions for renewal as set forth in the following paragraph (“the Expiration Notice”). The Expiration Notice shall also describe any changes that the DSCLT intends to make in the Covenant for the renewal period as permitted above.

The Homeowner shall then have the right to renew the Covenant only if the following conditions are met: (a) within 60 (sixty) days of receipt of the Expiration Notice, the Homeowner shall give the DSCLT written notice stating the Homeowner’s desire to renew (“the Renewal Notice”); (b) this Covenant shall be in effect on the last day of the original 30 (thirty) -year term; and (c) the Homeowner shall not be in default under this Covenant or under any mortgage on the last day of the original 30 (thirty) -year term.

When the Homeowner has exercised the option to renew, the Homeowner and the DSCLT shall sign a memorandum stating that the option has been exercised. The memorandum shall comply with the requirements for notice as stated in Article 10.3. The DSCLT shall record this memorandum in accordance with the requirements of law promptly after the beginning of the renewal period.

ARTICLE 3: Owner’s Use of the Home

3.1 HOMEOWNER MAY USE THE CLT UNIT ONLY FOR RESIDENTIAL AND RELATED PURPOSES: The Homeowner shall use, and allow others to use, the CLT Unit for residential purposes and any activities related to residential use that are permitted by local zoning law when the Covenant was signed.

3.2 HOMEOWNER MUST USE THE CLT UNIT RESPONSIBLY AND IN COMPLIANCE WITH THE LAW: The Homeowner shall use the CLT Unit in a way that will not cause harm to others or create any public nuisance. The Homeowner shall dispose of all waste in a safe and sanitary manner. The Homeowner shall maintain all parts of the CLT Unit safe, sound and habitable condition, in full compliance with all laws and regulations.

3.3 HOMEOWNER IS RESPONSIBLE FOR USE BY OTHERS: The Homeowner shall be responsible for the use of the CLT Unit by all residents and visitors and anyone else using the CLT Unit with the Homeowner’s permission and shall make all such people aware of the restrictions on use set forth in this Covenant.

3.4 HOMEOWNER MUST OCCUPY THE CLT UNIT FOR AT LEAST EIGHT (8) MONTHS EACH YEAR: The Homeowner shall occupy the CLT Unit for at least eight (8) consecutive months of each year of this Covenant, unless otherwise agreed to by the DSCLT. Occupancy by the Homeowner’s child, spouse or domestic partner (in jurisdictions with such

legislation) or other persons approved by the DSCLT shall be considered occupancy by the Homeowner. Neither compliance with the occupancy requirement nor DSCLT's permission for an extended period of non-occupancy constitutes permission to sublease the CLT Unit which is addressed in Article 3.5.

3.5 CLT UNIT MAY NOT BE SUBLEASED WITHOUT DSCLT'S PERMISSION: Except as otherwise provided in Article 7 and Article 9, the Homeowner shall not sublease, sell, assign or otherwise convey any of the Homeowner's rights under this Covenant, for any period of time, without the written permission of the DSCLT. The Homeowner agrees that the DSCLT shall have the right to withhold such consent in order to further the purposes of this Covenant.

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

- (a) Any sublease shall be subject to all the terms of this Covenant.
- (b) The rental or occupancy fee charged the sub-lessee shall not be more than the amount of the Membership Fee charged the Homeowner by the DSCLT, plus an amount approved by the DSCLT to cover the Homeowner's costs in owning the Home, including but not limited to the cost of taxes, insurance and mortgage interest.
- (c) In the case of an assignment, the total consideration for the assignment and the related sale or transfer of the CLT Unit shall not exceed the Purchase Option Price as calculated in accordance with Article 9 below.
- (d) Any funding related restrictions and/or city zoning or permit(s) ordinance(s).

3.6 DSCLT HAS A RIGHT TO INSPECT THE HOME: The DSCLT may inspect any part of the CLT Unit at any reasonable time, after notifying the Homeowner, either written, telephonic or electronic, at least 72 (seventy-two) hours before the planned inspection. In an emergency, the DSCLT may inspect any part of the CLT Unit after making reasonable efforts to inform the Homeowner before the inspection.

If the DSCLT has received an Intent-to-Sell Notice (as described in Article 9.4 below), then the DSCLT has the right to inspect the CLT Unit to determine its condition prior to sale, after notifying the Homeowner, either written, telephonic or electronic, at least 24 (twenty-four) hours before carrying out such inspection.

3.7 HOMEOWNER HAS A RIGHT TO QUIET ENJOYMENT: The Homeowner has the right to quiet enjoyment of the Home. The DSCLT has no desire or intention to interfere with the personal lives, associations, expressions or actions of the Homeowner in any way not permitted by this Covenant.

ARTICLE 4: Membership Fee

4.1 AMOUNT OF MEMBERSHIP FEE: The Homeowner shall pay a monthly Membership Fee in an amount equal to \$40.00 (Forty and 00/100 Dollars) in consideration of certain services and benefits that include, but are not limited to: (i) receipt of DSCLT's newsletters and annual reports; (ii) serving as and voting for members of the Board of Directors of DSCLT; (iii) technical assistance in meeting the obligations of this Condominium Housing

Subsidy Covenant; (iv) DSCLT's role in monitoring and enforcing the terms of this Covenant, ensuring that the CLT Unit continues to be affordable, and any additional amounts that the DSCLT charges to the Homeowner for reasons permitted by this Covenant.

4.2 WHEN THE MEMBERSHIP FEE IS TO BE PAID: The Membership Fee shall be payable to the DSCLT on the first day of each month for as long as this Covenant remains in effect, unless the Membership Fee is to be escrowed and paid by a Permitted Mortgagee, in which case payment shall be made as directed by the Mortgagee.

4.2.i. ACH monthly automatic transfer can be set up at time of settlement or if mailed the address would be to the DSCLT:

DIAMOND STATE COMMUNITY LAND TRUST

P.O. Box 1484

Dover DE 19903

4.3 DSCLT MAY REDUCE OR SUSPEND THE MEMBERSHIP FEE TO IMPROVE AFFORDABILITY: The DSCLT may reduce or suspend the total amount of the Membership Fee for a period of time for the purpose of improving the affordability of the Homeowner's monthly housing costs. Any such reduction or suspension must be in writing and signed by the DSCLT.

4.4 MEMBERSHIP FEES MAY BE INCREASED FROM TIME TO TIME: In order to keep the Membership Fee reasonably current, the amount specified in Article 5.1 (and the maximum amount specified in the preceding paragraph) may be recalculated every 5th (fifth) year during the term of the Covenant. The Membership Fee shall increase \$1.00 (One and 00/100 Dollar) per month on the 5th (fifth) anniversary of this Covenant and each anniversary thereafter. If the DSCLT determines at any time after the 5th (fifth) year that the annual \$1.00 (One and 00/100 Dollar) per month increase is not sufficient to keep the Membership Fee reasonably current effective any five (5) -year anniversary (years 5, 10, 15, 20, etc.) the amount may be recalculated through a reasonable process chosen by the DSCLT, based upon the standards set forth in Article 5.3. The DSCLT shall notify the Homeowner promptly upon recalculation of the new Membership Fee amount, and if the Homeowner does not state objections to the recalculated amount within 30 (thirty) days after receipt of this notice, the Membership Fee shall then be as stated by the DSCLT in the notice. If the Homeowner does state objections to the recalculated Membership Fee, and the DSCLT and the Homeowner are then unable to agree on a recalculated Membership Fee within 15 (fifteen) days of the DSCLT's receipt of the Homeowner's objection, the dispute shall be resolved according to the arbitration process set forth in Article 11, except that the arbitrators chosen by each party shall be ones with experience in the valuation of real estate. Upon the final determination of the recalculated Membership Fee in accordance with the terms of this section, the DSCLT shall maintain in its file a notarized certification of the amount of the recalculated Membership Fee and the process by which it was determined. In no event may the monthly Membership Fee exceed 1% (one percent) of the appraised value of the Home.

4.5 MEMBERSHIP FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED: If, for any reason, the provisions of Article 9 regarding transfers of the CLT Unit or Articles 3.4 and 3.5 regarding occupancy and subleasing are suspended or invalidated for any period of time, then during that time, the Membership Fee shall be increased to an amount calculated by the DSCLT to equal the fair rental value of the CLT Unit for use not restricted by the suspended provisions. Such increase shall become effective upon the DSCLT's written notice to the Homeowner. Thereafter, for so long as these restrictions are not reinstated in the Covenant, the DSCLT may, from time to time, further increase the amount of such Membership Fee, provided that the amount of the Membership Fee does not exceed the fair rental value of the Home, and provided that such increases do not occur more often than once every year.

4.6 DSCLT CAN COLLECT UNPAID FEES WHEN CLT UNIT IS SOLD: In the event that any amount of payable Membership Fee remains unpaid when the CLT Unit is sold, the outstanding amount of payable Membership Fees shall be paid to the DSCLT out of any proceeds from the sale that would otherwise be due to the Homeowner. The DSCLT shall have, and the Homeowner hereby consents to, a lien upon the CLT Unit for any unpaid Membership Fee. Such lien shall be prior to all other liens and encumbrances on the CLT Unit except (a) liens and encumbrances recorded before the recording of this Covenant; (b) Permitted Mortgages as defined in Article 7.1; and (c) liens for real property taxes and other governmental assessments or charges against the Home.

ARTICLE 5: Taxes and Assessments

5.1 HOMEOWNER IS RESPONSIBLE FOR PAYING ALL TAXES AND ASSESSMENTS: The Homeowner shall pay directly, when due, all taxes and governmental assessments that relate to the Home.

5.2 DSCLT WILL PASS ON ANY TAX BILLS IT RECEIVES TO HOMEOWNER: In the event that the local taxing authority bills the DSCLT for any portion of the taxes on the Home, the DSCLT shall pass the bill to the Homeowner and the Homeowner shall promptly pay this bill.

5.3 HOMEOWNER'S RIGHT TO CONTEST TAXES: The Homeowner shall have the right to contest the amount or validity of any taxes relating to the Home. Upon receiving reasonable request from the Homeowner for assistance in this matter, the DSCLT shall have the option to join in contesting such taxes. All costs of such proceedings shall be paid by the Homeowner.

5.4 IF HOMEOWNER FAILS TO PAY TAXES, DSCLT MAY INCREASE LEASE FEE: In the event that the Homeowner fails to pay the taxes or other charges specified in Article 6.1 above, the DSCLT may increase the Homeowner's Lease Fee to offset the amount of taxes and other charges owed by the Homeowner. Upon collecting any such amount, the DSCLT shall pay the amount collected to the taxing authority in a timely manner.

5.5 PARTY THAT PAYS TAXES MUST SHOW PROOF: When either party pays taxes relating to the Home, that party shall furnish satisfactory evidence of the payment to the other party. A photocopy of a receipt shall be the usual method of furnishing such evidence.

ARTICLE 6: The Home

6.1 HOMEOWNER OWNS THE CLT UNIT AND ALL OTHER IMPROVEMENTS: All structures, including the house, fixtures, and other improvements purchased, constructed, or installed by the Homeowner in the CLT Unit at any time during the term of this Covenant shall be property of the Homeowner. Title to the CLT Unit shall be and remain vested in the Homeowner. However, the Homeowner's rights of ownership are limited by certain provisions of this Covenant, including provisions regarding the sale or leasing of the CLT Unit by the Homeowner and the DSCLT's option to purchase the Home. For Qualified Capital Improvements, the Homeowner may request the DSCLT to enter an addendum to this Covenant to allow Homeowner to receive full credit for the cost of any such Qualified Capital Improvements in the calculation of the Formula Price in Article 10.11.

6.2 HOMEOWNER PURCHASES CLT UNIT WHEN SIGNING COVENANT: Upon the signing of this Covenant, the Homeowner is simultaneously purchasing the CLT Unit as described in the Deed, a copy of which is attached to this Covenant as EXHIBIT: DEED.

6.3 CONSTRUCTION CARRIED OUT BY HOMEOWNER MUST COMPLY WITH CERTAIN REQUIREMENTS: Any construction in connection with the CLT Unit is permitted only if the following requirements are met: (a) all costs shall be paid for by the Homeowner; (b) all construction shall be performed in a professional manner and shall comply with all applicable laws and regulations; and (c) all changes in the CLT Unit shall be consistent with the permitted uses described in Article 3.

For any construction requiring the DSCLT's prior written consent, the Homeowner shall submit a written request to the DSCLT. Such request shall include:

- a) a written statement of the reasons for undertaking the construction;
- b) a set of drawings (floor plans and elevations) showing the dimensions of the proposed construction;
- c) itemized cost of improvements to the Homeowner and how cost will be financed;
- d) a list of the necessary materials, with quantities needed; and
- e) a statement of who will do the work.

If the DSCLT finds it needs additional information, it shall request such information from the Homeowner within fourteen (14) days of receipt of the Homeowner's request. The DSCLT then, within fourteen (14) weeks of receiving all necessary information (including any additional information it may have requested) shall give the Homeowner either its written consent or a written statement of its reasons for not consenting. Before construction can begin, the Homeowner shall provide the DSCLT with copies of all necessary building permits, if not previously provided.

6.4 HOMEOWNER MAY NOT ALLOW STATUTORY LIENS TO REMAIN AGAINST HOME: The Homeowner shall not permit any statutory or lien to be filed against the

CLT Unit which remains more than 60 (sixty) days after it has been filed. The Homeowner shall take action to discharge such lien, whether by means of payment, deposit, bond, court order, or other means permitted by law. If the Homeowner fails to discharge such lien within the 60 (sixty) -day period, then, the Homeowner shall immediately notify the DSCLT of such failure. The Homeowner may, at the Homeowner's expense, contest the validity of any such asserted lien, provided the Homeowner has furnished a bond or other acceptable surety in an amount sufficient to release the CLT Unit from such lien. The DSCLT shall have the right to discharge the lien by paying the amount in question. Any amounts paid by the DSCLT to discharge such liens shall be treated as an additional Membership Fee payable by the Homeowner upon demand.

6.5 HOMEOWNER IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS: The Homeowner hereby assumes responsibility for furnishing all services or facilities in the Home, including but not limited to heat, electricity, air conditioning and water. The DSCLT shall not be required to furnish any services or facilities or to make any repairs to the Home. The Homeowner shall maintain the CLT Unit as required by Article 3.2 and shall see that all necessary repairs and replacements are accomplished when needed.

6.6 WHEN COVENANT ENDS, OWNERSHIP REVERTS TO DSCLT, WHICH SHALL REIMBURSE HOMEOWNER: Upon the expiration or termination of this Covenant, ownership of the CLT Unit shall revert to the DSCLT. Upon thus assuming title to the Home, the DSCLT shall promptly pay the Homeowner and Permitted Mortgagee(s), as follows:

1) The DSCLT shall pay any Permitted Mortgagee(s) the full amount owed to such mortgagee(s) by the Homeowner. In the event of any mortgage delinquency or nonpayment by the Homeowner and prior to making any distribution described in paragraph (2) below, DSCLT may, at its sole discretion, opt to deduct any portion of the payoff made by DSCLT to Mortgagee that includes, but is not limited to, late fees, unpaid escrows for taxes and insurance, penalties, and legal fees; **and**

2) The DSCLT shall pay the Homeowner the balance of the Purchase Option Price calculated in accordance with Article 9, as of the time of reversion of ownership, less the total amount of any unpaid Membership Fee and any other amounts owed to the DSCLT under the terms of this Covenant. The Homeowner shall be responsible for any costs necessary to clear any additional liens or other charges related to the CLT Unit which may be assessed against the Home. If the Homeowner fails to clear such liens or charges, the balance due the Homeowner shall also be reduced by the amount necessary to release such liens or charges, including reasonable attorneys' fees incurred by the DSCLT.

ARTICLE 7: Financing

7.1 HOMEOWNER CANNOT MORTGAGE THE CLT UNIT WITHOUT DSCLT'S PERMISSION: The Homeowner may mortgage the CLT Unit only with the written consent of the DSCLT. Any mortgage or deed of trust permitted in writing by the DSCLT is defined as a Permitted Mortgage, and the holder of such a mortgage or deed of trust is defined as a Permitted Mortgagee.

7.2 BY SIGNING COVENANT, DSCLT GIVES PERMISSION FOR THE ORIGINAL MORTGAGE: By signing this Covenant, the DSCLT gives written permission for any mortgage or deed of trust signed by the Homeowner effective on the day this Covenant is signed for the purpose of financing the Homeowner's purchase of the Home.

7.3 HOMEOWNER MUST GET SPECIFIC PERMISSION FOR REFINANCING OR OTHER SUBSEQUENT MORTGAGES: If, at any time subsequent to the purchase of the CLT Unit and signing of the Covenant, the Homeowner seeks a loan that is to be secured by a mortgage on the CLT Unit (to refinance an existing Permitted Mortgage or to finance CLT Unit repairs or for any other purpose), the Homeowner must inform the DSCLT, in writing, of the proposed terms and conditions of such mortgage loan at least 15 (fifteen) business days prior to the expected closing of the loan. The information to be provided to the DSCLT must include:

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

The DSCLT may also require the Homeowner to submit additional information. The DSCLT will not permit such a mortgage loan if the loan increases the Homeowner's total mortgage debt to an amount greater than 100% of the then current Purchase Option Price, calculated in accordance with Article 9, or if the terms of the transaction otherwise threaten the interests of either the Homeowner or the DSCLT.

7.4 A PERMITTED MORTGAGEE HAS CERTAIN OBLIGATIONS UNDER THE COVENANT: Any Permitted Mortgagee shall be bound by each of the requirements stated in "EXHIBIT: PERMITTED MORTGAGES – Part A, Obligations of Permitted Mortgagee", which is made a part of this Covenant by reference, unless the particular requirement is removed, contradicted or modified by a Rider to this Covenant signed by the Homeowner and the DSCLT to modify the terms of the Covenant during the term of the Permitted Mortgage.

7.5 A PERMITTED MORTGAGEE HAS CERTAIN RIGHTS UNDER THE COVENANT: Any Permitted Mortgagee shall have all the rights and protections stated in "EXHIBIT: PERMITTED MORTGAGES – Part B, Rights of Permitted Mortgagee", which is made a part of this Covenant by reference.

7.6 IN THE EVENT OF FORECLOSURE ANY PROCEEDS IN EXCESS OF THE PURCHASE OPTION PRICE WILL GO TO DSCLT: The Homeowner and the DSCLT recognize that it would be contrary to the purposes of this agreement if the Homeowner could receive more than the Purchase Option Price as the result of the foreclosure of a mortgage. Therefore, the Homeowner hereby irrevocably assigns to the DSCLT all net proceeds of sale of the CLT Unit that would otherwise have been payable to the Homeowner and that exceed the amount of net proceeds that the Homeowner would have received if the property had been sold for the Purchase Option Price, calculated as described in Article 9.10. The Homeowner authorizes and instructs the Permitted Mortgagee or any party conducting any sale to pay such excess amount directly to the DSCLT. If for any reason, such excess amount is paid to the Homeowner, the Homeowner hereby agrees to promptly pay such amount to the DSCLT.

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

8.1 HOMEOWNER ASSUMES ALL LIABILITY: The Homeowner assumes all responsibility and liability related to the Homeowner's possession, occupancy and use of the Home.

8.2 HOMEOWNER MUST DEFEND THE DSCLT AGAINST ALL CLAIMS OF LIABILITY: The Homeowner shall defend, indemnify and hold the DSCLT harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Home. The Homeowner waives all claims against the DSCLT for injury or damage on or about the Home. However, the DSCLT shall remain liable for injury or damage due to the grossly negligent or intentional acts or omissions of the DSCLT or the DSCLT's agents or employees.

8.3 HOMEOWNER MUST REIMBURSE DSCLT: In the event the DSCLT shall be required to pay any sum that is the Homeowner's responsibility or liability, the Homeowner shall reimburse the DSCLT for such payment and for reasonable expenses caused thereby.

8.4 HOMEOWNER MUST INSURE THE CLT UNIT AGAINST LOSS AND MUST MAINTAIN LIABILITY INSURANCE ON HOME:

(a) The Homeowner shall, at the Homeowner's sole expense, keep the CLT Unit continuously insured against loss or damage by fire and the extended coverage hazards for the full replacement value of the Home.

(b) The Homeowner shall, at the Homeowner's sole expense, maintain continuous homeowners insurance in effect with liability insurance covering the CLT Unit in the amount of not less than \$300,000.00 (Three Hundred Thousand and 00/100 Dollars) for injury or death per occurrence; and maintain dwelling limits equal to but not less than 100% replacement costs on the CLT Unit based on the CLT Unit characteristics with a minimum of \$250,000.00 (Two Hundred Fifty Thousand and 00/100 Dollars). The insurance shall specifically insure the Homeowner against all liability assumed under this Covenant, as well as all liability imposed by law, and shall also insure the DSCLT as an additional insured so as to create the same liability on the part of the insurer as though separate policies had been written for the DSCLT and the Homeowner.

(c) Annually the Homeowner shall provide the DSCLT with copies of all policies or renewals of policies. All policies shall also contain endorsements providing that they shall not be cancelled, reduced in amount or coverage or otherwise modified by the insurance carrier involved without at least (30) thirty days prior written notice to the DSCLT. In the event such policy is not provided and/or insurance coverage is cancelled, then DSCLT shall have the right to buy insurance and any cost shall be deemed additional membership fees. The DSCLT shall be entitled to participate in the settlement or adjustment of any losses covered by the policies of insurance.

(d) Should the CLT Unit be in a flood hazard zone as defined by the National Flood Insurance Plan, the Homeowner shall keep in full force and effect flood insurance in the maximum amount available.

8.5 WHAT HAPPENS IF CLT UNIT IS DAMAGED OR DESTROYED: Except as provided below, in the event of fire or other damage to the Home, the Homeowner shall take all steps necessary to assure the repair of such damage and the restoration of the CLT Unit to its condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. The Homeowner shall also promptly take all steps necessary to assure that the damaged CLT Unit does not constitute a danger to persons or property.

If the Homeowner, based on professional estimates, determines either (a) that full repair and restoration is physically impossible, or (b) that the available insurance proceeds will pay for less than the full cost of necessary repairs and that the Homeowner cannot otherwise afford to cover the balance of the cost of repairs, then the Homeowner shall notify the DSCLT of this problem, and the DSCLT may then help to resolve the problem. Methods used to resolve the problem may include efforts to increase the available insurance proceeds, efforts to reduce the cost of necessary repairs, efforts to arrange affordable financing covering the costs of repair not covered by insurance proceeds, and any other methods agreed upon by both the Homeowner and the DSCLT.

If the Homeowner and the DSCLT cannot agree on a way of restoring the CLT Unit in the absence of adequate insurance proceeds, then the Homeowner may give the DSCLT written notice of intent to terminate the Covenant. The date of actual termination shall be no less than 60 (sixty) days after the date of the Homeowner's notice of intent to terminate. Upon termination any insurance proceeds payable to the Homeowner for damage to the CLT Unit shall be paid in the following order:

1. To expenses of their collection;
2. To any Permitted Mortgagee(s), to the extent required by Permitted Mortgage(s);
3. To the expenses of enclosing or razing the remains of the CLT Unit and clearing debris;
4. To the DSCLT for any amounts owed under this Covenant;
5. To the Homeowner, up to an amount equal to the Purchase Option Price as of the day prior to the loss, less any amounts paid with respect to the second, third, and fourth clauses above; and
6. The balance, if any, to the DSCLT.

8.6 WHAT HAPPENS IF SOME OR ALL OF THE LAND IS TAKEN FOR PUBLIC USE: If all the land is taken by eminent domain or otherwise for public purposes, or if so much of the land is taken that the CLT Unit is lost or damaged beyond repair, the Covenant shall terminate as of the date when the Homeowner is required to give up possession of the Home. Upon such termination, the entire amount of any award(s) paid shall be allocated in the way described in Article 8.5 for insurance proceeds.

In the event of a taking of a portion of the land that results in damage to the CLT Unit only to such an extent that the CLT Unit can reasonably be restored to a residential use consistent with this Covenant, then the damage shall be treated as damage is treated in Article

8.5, and monetary compensation shall be allocated as insurance proceeds are to be allocated under Article 8.5.

8.7 IF COVENANT IS TERMINATED BY DAMAGE, DESTRUCTION OR TAKING, DSCLT WILL TRY TO HELP HOMEOWNER BUY ANOTHER DSCLT HOME: If this Covenant is terminated as a result of damage, destruction or taking, the DSCLT shall take reasonable steps to allow the Homeowner to purchase another CLT Unit owned by the DSCLT if such CLT Unit can reasonably be made available. If the Homeowner purchases such a Home, the Homeowner agrees to contribute any proceeds or award received by the Homeowner to the purchase of the Home. The Homeowner understands that there are numerous reasons why it may not be possible to make such a CLT Unit available and shall have no claim against the DSCLT if such a CLT Unit is not made available.

ARTICLE 9: Transfer of the CLT Unit

9.1 INTENT OF THIS ARTICLE IS TO PRESERVE AFFORDABILITY: The Homeowner and the DSCLT agree that the provisions of this Article 9 are intended to preserve affordability of the CLT Unit for lower-income households and expand access to homeownership opportunities for such households.

9.2 HOMEOWNER MAY TRANSFER CLT UNIT ONLY TO DSCLT OR QUALIFIED PERSONS: The Homeowner may transfer the CLT Unit only to the DSCLT or an Income-Qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 9. All such transfers are to be completed only in strict compliance with this Article 9. Any purported transfer that does not follow the procedures set forth below, except in the case of a transfer to a Permitted Mortgagee in lieu of foreclosure, shall be null and void.

“Income-Qualified Person” shall mean a person or group of persons whose household income does not exceed 80% of the area median household income (AMI) for the Delaware/Sussex County Standard Metropolitan Statistical Area as calculated and adjusted for household size from time to time by the U.S. Department of Housing and Urban Development (HUD) or any successor.

9.3 THE CLT UNIT MAY BE TRANSFERRED TO CERTAIN HEIRS OF HOMEOWNER: If the Homeowner dies (or if the last surviving co-owner of the CLT Unit dies), the executor or personal representative of the Homeowner’s estate shall notify the DSCLT within 90 (ninety) days of the date of the death. Upon receiving such notice, the DSCLT shall consent to a transfer of the CLT Unit and the Homeowner’s rights to one or more of the possible heirs of the Homeowner listed below as “a”, “b”, or “c” provided that a Letter of Agreement and a Letter of Attorney’s Acknowledgment (as described in Article 1) are submitted to the DSCLT to be attached to the Covenant when it is transferred to the heirs.

- a) the spouse of the Homeowner; or
- b) domestic partner (must be on recorded ground lease); or
- c) child(ren) or heir of the Homeowner.

Any other heirs, legatees or devisees of the Homeowner, in addition to submitting Letters of Agreement and Attorney’s Acknowledgment as provided above, must demonstrate to the

DSCLT's satisfaction that they are Income-Qualified Persons as defined above. If they cannot demonstrate that they are Income-Qualified Persons, they shall not be entitled to possession of the CLT Unit but must transfer the CLT Unit in accordance with the provisions of this Article 9.

9.4 HOMEOWNER MUST GIVE NOTICE OF INTENT TO SELL: In the event that the Homeowner wishes to sell the Home, the Homeowner shall notify the DSCLT, in writing, of such wish (the "Intent-to-Sell Notice"). The Notice shall include a statement as to whether the Homeowner wishes to recommend a prospective buyer as of the date of the Notice.

9.5 AFTER RECEIVING NOTICE, DSCLT SHALL COMMISSION AN APPRAISAL: No later than 10 (ten) days after the DSCLT's receipt of the Homeowner's Intent-to-Sell Notice, the DSCLT shall commission a market valuation of the CLT Unit (the "Appraisal") to be performed by a duly licensed appraiser who is acceptable to the DSCLT and the Homeowner. The Appraisal shall be conducted by analysis and comparison of comparable properties as though title to the CLT Unit were held in fee simple absolute by a single party, disregarding the restrictions of this Covenant on the use, occupancy and transfer of the property. Copies of the Appraisal are to be provided to both the DSCLT and the Homeowner. The DSCLT will pay the cost of the first Appraisal. If the Homeowner chooses not to sell within three (3) months of the first Appraisal's effective date, any costs for additional Appraisals will be the responsibility of the Homeowner.

9.7 DSCLT MAY EXERCISE PURCHASE OPTION IF HOMEOWNER DOES NOT SELL TO A QUALIFIED BUYER: Upon receipt of an Intent-to-Sell Notice from the Homeowner, the DSCLT shall have the option to purchase the CLT Unit (the "Purchase Option") at the Purchase Option Price calculated as set forth below. The Purchase Option is designed to further the purpose of preserving the affordability of the CLT Unit for succeeding Income-Qualified Persons while taking fair account of the investment by the Homeowner.

If the DSCLT elects to purchase the Home, the DSCLT shall exercise the Purchase Option by notifying the Homeowner, in writing, of such election (the "Notice of Exercise of Option") within 45 (forty-five) days of the receipt of the Appraisal, or the Purchase Option shall expire. Having given the notice, the DSCLT may either proceed to purchase the CLT Unit directly or may assign the Purchase Option to an Income-Qualified Person.

The purchase (by the DSCLT or the DSCLT's assignee) must be completed within 60 (sixty) days of the DSCLT's Notice of Exercise of Option, or the Homeowner may sell the CLT Unit as provided in Article 9.8. The time permitted for the completion of the purchase may be extended by mutual agreement of the DSCLT and the Homeowner.

The Homeowner may recommend to the DSCLT a prospective buyer who is an Income-Qualified Person and is prepared to submit Letters of Agreement and Attorney's Acknowledgment indicating informed acceptance of the terms of this Covenant. The DSCLT shall make reasonable efforts to arrange for the assignment of the Purchase Option to such person, unless the DSCLT determines that its charitable mission is better served by retaining the CLT Unit for another purpose or transferring the CLT Unit to another party.

9.8 IF PURCHASE OPTION EXPIRES, HOMEOWNER MAY SELL ON CERTAIN TERMS: If the Purchase Option has expired or if the DSCLT has failed to complete the purchase within the 60 (sixty) -day period allowed by Article 9.7, the Homeowner may sell the CLT Unit

to any Income-Qualified Person for not more than the then-applicable Purchase Option Price. If the Homeowner has made diligent efforts to sell the CLT Unit for at least six (6) months after the expiration of the Purchase Option (or six (6) months after the expiration of such 60 (sixty) -day period) and the CLT Unit still has not been sold, the Homeowner may then sell the Home, for a price no greater than the then-applicable Purchase Option Price, to any party regardless of whether that party is an Income-Qualified Person, subject to Article 3.5.

9.9 AFTER ONE YEAR, DSCLT SHALL HAVE POWER OF ATTORNEY TO CONDUCT SALE: If DSCLT does not exercise its Purchase Option and complete the purchase of the Home, as described above, and if the Homeowner (a) is not then residing in the CLT Unit and (b) continues to hold the CLT Unit out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one (1) year of the date of the Intent-to-Sell Notice, the Homeowner does hereby appoint the DSCLT its Attorney In Fact (AIF) to seek a buyer, negotiate a reasonable price that furthers the purposes of this Covenant, sell the Home, and pay to the Homeowner the proceeds of sale, minus the DSCLT's costs of sale and any other sums owed the DSCLT by the Homeowner.

9.10 PURCHASE OPTION PRICE EQUALS LESSER OF APPRAISED VALUE OR FORMULA PRICE: In no event may the CLT Unit be sold for a price that exceeds the Purchase Option Price. The Purchase Option Price shall be the lesser of (a) the value of the CLT Unit as determined by the Appraisal commissioned and conducted as provided in Article 9.5 or (b) the price calculated in accordance with the formula described below (the "Formula Price").

9.11 HOW THE FORMULA PRICE IS CALCULATED: The Formula Price shall be equal to the Homeowner's Base Price, as stated below, plus 25% (twenty-five percent) of the increase in market value of the Home, if any, calculated in the way described below.

Homeowner's Base Price: The parties agree that the Homeowner's Base Price, as defined above, is \$ _____.

Initial Appraised Value: The parties agree that the appraised value of the CLT Unit at the time of the Homeowner's purchase of the CLT Unit (the "Initial Appraised Value") is \$ _____, as documented by the appraiser's report, attached to this Lease as EXHIBIT: INITIAL APPRAISAL.

Increase (or Decrease) in Market Value: The increase (or decrease) in market value of the CLT Unit equals the appraised value of the CLT Unit at time of sale, calculated according to Article 9.5, minus the Initial Appraised Value.

Homeowner's Share of Increase (or Decrease) in Market Value. The Homeowner's share of the increase (or decrease) in the market value of the CLT Unit equals 25% (twenty-five percent) of the increase (or decrease) in market value as calculated above.

Summary of Formula Price. The Formula Price equals the Homeowner's Base Price plus Homeowner's Share of Increase (or Decrease) in Market Value.

9.12 QUALIFIED PURCHASER SHALL RECEIVE NEW COVENANT: The DSCLT shall issue a new Covenant to any person who purchases the CLT Unit in accordance with the terms of this Article 9. Such new Covenant shall be substantially the same as this Covenant in the rights, benefits and obligations assigned to the Homeowner and the DSCLT.

ARTICLE 10: Default

10.1 WHAT HAPPENS IF HOMEOWNER FAILS TO MAKE PAYMENTS TO THE DSCLT THAT ARE REQUIRED BY THE COVENANT: It shall be an event of default if the Homeowner fails to pay the Membership Fee or other charges required by the terms of this Covenant. The DSCLT will seek to cure the default per its delinquent Membership Fee policy.

10.2 WHAT HAPPENS IF HOMEOWNER VIOLATES OTHER (NONMONETARY) TERMS OF THE COVENANT: It shall be an event of default if the Homeowner fails to abide by any other requirement or restriction stated in this Covenant, and such failure is not cured by the Homeowner or a Permitted Mortgagee within 60 (sixty) days after written notice of such failure is given by the DSCLT to the Homeowner and Permitted Mortgagee. However, if the Homeowner or Permitted Mortgagee has begun to cure such default within the 60 (sixty) -day cure period and is continuing such cure with due diligence but cannot complete the cure within the 60 (sixty) -day cure period, the cure period shall be extended for as much additional time as may be reasonably required to complete the cure.

10.3 WHAT HAPPENS IF HOMEOWNER DEFAULTS AS A RESULT OF JUDICIAL PROCESS: It shall be an event of default if the estate hereby created is taken on execution or by other process of law, or if the Homeowner is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of the Homeowner for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of the CLT Unit by a court of competent jurisdiction, or if a petition is filed for the reorganization of the Homeowner under any provisions of the Bankruptcy Act now or hereafter enacted, or if the Homeowner files a petition for such reorganization, or for arrangements under any provision of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for payment of debts.

10.4 A DEFAULT (UNCURED VIOLATION) GIVES DSCLT THE RIGHT TO TERMINATE THE COVENANT OR EXERCISE ITS PURCHASE OPTION:

a) TERMINATION: In the case of any of the events of default described above, the DSCLT may terminate this Covenant and initiate summary proceedings under applicable law against the Homeowner, and the DSCLT shall have all the rights and remedies consistent with such laws and resulting court orders to enter the CLT Unit and repossess the Home, and expel the Homeowner and those claiming rights through the Homeowner. In addition, the DSCLT shall have such additional rights and remedies to recover from the Homeowner arrears of rent and damages from any preceding breach of any covenant of this Covenant. If this Covenant is terminated by the DSCLT pursuant to an event of default, then, as provided in Article 7.6, upon thus assuming title to the Home, the DSCLT shall pay to the Homeowner and any Permitted Mortgagee an amount equal to the Purchase Option Price calculated in accordance with Article 9.9, as of the time of reversion of ownership, less the total amount of any unpaid Membership Fee and any other amounts owed to the DSCLT under the terms of this Covenant and all reasonable costs (including reasonable attorneys' fees) incurred by the DSCLT in pursuit of its remedies under this Covenant.

If the DSCLT elects to terminate the Covenant, then the Permitted Mortgagee shall have the right (subject to Article 7 and the attached EXHIBIT: PERMITTED MORTGAGES) to

postpone and extend the specified date for the termination of the Covenant for a period sufficient to enable the Permitted Mortgagee or its designee to acquire the Homeowner's interest in the CLT Unit by foreclosure of its mortgage or otherwise.

b) **EXERCISE OF OPTION:** In the case of any of the events of default described above, the Homeowner hereby grants to the DSCLT the option to purchase the CLT Unit for the Purchase Option Price as such price is defined in Article 9 or assign such option to an Income-Qualified Person. Within 30 (thirty) days after the expiration of any applicable cure period as established in Articles 10.1 or 10.2 or within 30 (thirty) days after any of the events constituting an event of default under Article 10.3, the DSCLT shall notify the Homeowner and Permitted Mortgagee(s) of its decision to exercise or assign its option to purchase under this Article 10.4(b). Not later than 90 (ninety) days after the DSCLT gives notice to the Homeowner of the DSCLT's intent to exercise or assign its option under this Article 10.4(a), the DSCLT or its assignee shall purchase the CLT Unit for the Purchase Option Price.

10.5 WHAT HAPPENS IF DSCLT DEFAULTS: The DSCLT shall in no event be in default in the performance of any of its obligations under the Covenant unless and until the DSCLT has failed to perform such obligations within 60 (sixty) days, or additional time as is reasonably required to correct any default, after notice by the Homeowner to the DSCLT properly specifying the DSCLT's failure to perform any such obligation.

ARTICLE 11: Mediation and Arbitration

11.1 ARBITRATION PROCESS: If any grievance or dispute arises between the DSCLT and the Homeowner concerning the terms of this Covenant which cannot be resolved by normal interaction, the following arbitration procedure shall be used:

a) The DSCLT or the Homeowner shall give written notice to the other party of its selection of a disinterested arbitrator. Within 15 (fifteen) days of the receipt of this written notice, the other party may give written notice to the first party appointing a disinterested arbitrator of its own choice. These two arbitrators shall select a third arbitrator. If the other party fails to name an arbitrator within 15 (fifteen) days of receiving the notice from the first party, the arbitrator selected by the first party shall be the sole arbitrator.

b) The arbitrator or arbitrators shall hold a hearing within 30 (thirty) days after the initial written notice by the initiator of the arbitration process. At the hearing, the DSCLT and the Homeowner shall have an opportunity to present evidence and question witnesses in the presence of each other. As soon as reasonably possible, and in no event later than 15 (fifteen) days after the hearing, the arbitration panel shall make a written report to the DSCLT and the Homeowner of its findings and decisions, including a personal statement by each arbitrator of his/her decision and the reasons for it. The arbitrators shall decide the dispute or claim in accordance with the substantive law of the jurisdiction and what is just and equitable under the circumstances. The decisions and awards of the majority of the arbitration panel shall be binding and final.

ARTICLE 12: General Provisions

12.1 HOMEOWNER'S MEMBERSHIP IN DSCLT: The Homeowner under this Covenant shall automatically be a regular voting member of the DSCLT.

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

If to the DSCLT: DIAMOND STATE COMMUNITY LAND TRUST
 P.O. Box 1484
 Dover DE 19903
 info@diamondstateclt.org

If to the Homeowner: The address of the Property or:

All notices, demands, and requests shall be effective upon being deposited in the United States Mail or, in the case of personal delivery, upon actual receipt; or time-stamp from e-mail.

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

The living children of the current directors Board of Directors of the DSCLT

12.4 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article 9 of this Covenant shall, for any reason, become unenforceable, the DSCLT shall nevertheless have a Right of First Refusal to purchase the CLT Unit at the highest documented bona fide purchase price offer made to the Homeowner. Such right shall be as specified in EXHIBIT: FIRST REFUSAL. Any sale or transfer contrary to this section, when applicable, shall be null and void.

12.5 WAIVER: The waiver by the DSCLT at any time of any requirement or restriction in this Covenant, or the failure of the DSCLT to take action with respect to any breach of any such requirement or restriction, shall not be deemed to be a waiver of such requirement or restriction with regard to any subsequent breach of such requirement or restriction, or of any other requirement or restriction in the Covenant. The DSCLT may grant waivers in the terms of this Covenant, but such waivers must be in writing and signed by the DSCLT before being effective.

The subsequent acceptance of Membership Fee payments by the DSCLT shall not be deemed to be a waiver of any preceding breach by the Homeowner of any requirement or restriction in this Covenant, other than the failure of the Homeowner to pay the particular Membership Fee so accepted, regardless of the DSCLT's knowledge of such preceding breach at the time of acceptance of such Membership Fee payment.

12.6 DSCLT'S RIGHT TO PROSECUTE OR DEFEND: The DSCLT shall have the right, but shall have no obligation, to prosecute or defend, in its own or the Homeowner's name, any actions or proceedings appropriate to the protection of its own or the Homeowner's interest in the Home. Whenever requested by the DSCLT, the Homeowner shall give the DSCLT all reasonable aid in any such action or proceeding.

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

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

12.9 PARTIES BOUND: This Agreement sets forth the entire agreement between the DSCLT and the Homeowner with respect to the subject matter hereof; it is binding upon and inures to the benefit of these parties and, in accordance with the provisions of this Agreement, their respective successors in interest. This Agreement may be altered or amended only by written notice executed by the DSCLT and the Homeowner or their legal representatives or, in accordance with the provisions of this Agreement, their successors in interest.

12.10 GOVERNING LAW: This Covenant shall be interpreted in accordance with and governed by the laws of DELAWARE. The language in all parts of this Covenant shall be, in all cases, construed according to its fair meaning and not strictly for or against the DSCLT or the Homeowner.

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

[The Remainder of This Page Left Intentionally Blank]

IN WITNESS WHEREOF, Owner has executed this Covenant and DSCLT has caused this Covenant to be executed by its duly authorized agent on this _____ day of _____.

DIAMOND STATE COMMUNITY LAND TRUST

By: _____

Its: _____

Owner:

STATE OF DELAWARE)
) ss.
COUNTY OF SUSSEX)

The foregoing instrument was acknowledged before me this _____ day _____ of, by _____ the _____ of DIAMOND STATE COMMUNITY LAND TRUST, a Delaware non-profit corporation, on behalf of the corporation.

Notary Public

STATE OF DELAWARE)
) SS.
COUNTY OF SUSSEX)

The foregoing instrument was acknowledged before me this _____ day _____ of, by _____, a(n) _____.

Notary Public

**EXHIBIT:
LETTER OF AGREEMENT AND ATTORNEY’S LETTER OF ACKNOWLEDGMENT**

Letter of Agreement

To: DIAMOND STATE COMMUNITY LAND TRUST (“DSCLT”)

Date: _____

This letter is given to DSCLT to become an exhibit to the Covenant between DSCLT and me. In exchange for the affordability investment made in the CLT Unit that I am purchasing, I will be subject to the terms and conditions set forth in the Covenant. I will therefore become what is described here as a Homeowner.

My legal counsel, _____, has explained to me the terms and conditions of the Covenant and other legal documents that are part of this transaction. I understand the way these terms and conditions will affect my rights as a DSCLT Homeowner, now and in the future. In particular I understand and agree with the following points:

1. One of the goals of DSCLT is to keep DSCLT homes affordable for lower-income households from one DSCLT Homeowner to the next. I will comply with this goal as a DSCLT Homeowner and as a member of DSCLT.

2. The terms and conditions of my Covenant will keep my CLT Unit affordable for future “Income-Qualified Persons” (as defined in the Covenant). If and when I want to sell my Home, the Covenant requires, subject to certain very limited exceptions, that I sell it either to DSCLT or to another Income-Qualified Person. The terms and conditions of the Covenant also limit the price for which I can sell the Home, in order to keep it affordable for Income-Qualified Persons.

3. It is also a goal of DSCLT to promote resident ownership of DSCLT homes. For this reason, my Covenant requires that, if I and/or my family move out of my/our CLT Unit permanently, I/we must sell it. I/We cannot continue to own it as absentee owner(s).

4. I understand that I can leave my CLT Unit to my spouse, partner, or other individual listed on the Covenant and that, after my death, they can own the CLT Unit for as long as they want to live in it and abide by the terms of the Covenant, or they can sell it on the terms permitted by the Covenant.

5. I further understand that if I leave my CLT Unit to any person other than my spouse, partner, child or children, or other individual listed on the Covenant, they can own the CLT Unit after my death for as long as they want to live in it and abide by the terms of the Covenant, provided that at the time of my death they are Income-Qualified Person, as defined in Article 10 of the Covenant.

As a DSCLT homeowner and a member of the DSCLT, it is my desire to see the terms of the Covenant and related documents honored. I consider these terms fair to me and others.

Sincerely,

Letter of Acknowledgment

I, _____, have been independently retained by _____ (hereinafter the "Client") who intends to purchase a CLT Unit subject to the terms of the Housing Subsidy Covenant provided through the DIAMOND STATE COMMUNITY LAND TRUST (DSCLT). The CLT Unit and land are located at _____.

In connection with the contemplated purchase of the CLT Unit unit and subject to the terms and conditions of the DSCLT, I reviewed with the Client the following documents relating to the transaction ("Land Trust Documents"):

- a) this Letter of Acknowledgment and a Letter of Agreement from the Client;
 - b) a proposed Housing Subsidy Covenant;
 - c) the following written materials provided by the DSCLT: _____
- _____.

My Client and I have specifically discussed the nature of a Housing Subsidy Covenant, the limitations on transfer and the limitations on return to my Client based on the Purchase Option Price.

The Client has received full and complete information and advice regarding this conveyance and the foregoing documents. In my review of these documents my purpose has been to reasonably inform the Client of the present and foreseeable risks and legal consequences of the contemplated transaction.

Name: _____

Date: _____

Title: _____

Firm/Address: _____

EXHIBIT: FIRST REFUSAL

Whenever any party under the Covenant shall have a Right of First Refusal as to certain property, the following procedures shall apply. If the owner of the property offering it for sale (“Offering Party”) shall within the term of the Covenant receive a bona fide third party offer to purchase the property, which such Offering Party is willing to accept, the holder of the right of first refusal (the “Holder”) shall have the following rights:

1. Offering Party shall give written notice of such offer (the “Notice of Offer”) to Holder setting forth (a) the name and address of the prospective purchaser of the property, (b) the purchase price offered by the prospective purchaser and (c) all other terms and conditions of the sale. Holder shall have a period of 45 (forty-five) days after the receipt of the Notice of Offer (the “Election Period”) within which to exercise the Right of First Refusal by giving notice of intent to purchase the property (the “Notice of Intent to Purchase”) for the same price and on the same terms and conditions set forth in the Notice of Offer. Such Notice of Intent to Purchase shall be given in writing to the Offering Party within the Election Period.

2. If Holder exercises the right to purchase the property, such purchase shall be completed within 60 (sixty) days after the Notice of Intent to Purchase is given by Holder (or if the Notice of Offer shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice of Offer, including payment of the purchase price provided therein.

3. Should Holder fail to exercise the Right of First Refusal within the Election Period, then the Offering Party shall have the right (subject to any other applicable restrictions in the Covenant) to go forward with the sale which the Offering Party desires to accept, and to sell the property within one (1) year following the expiration of the Election Period on terms and conditions which are not materially more favorable to the purchaser than those set forth in the Notice. If the sale is not consummated within such one (1) -year period, the Offering Party’s right so to sell shall end, and all the foregoing provisions of this section shall be applied again to any future offer, all as aforesaid.

EXHIBIT: PERMITTED MORTGAGES

The rights and provisions set forth in this Exhibit shall be understood to be provisions of Article 7 of the Covenant. All terminology used in this Exhibit shall have the meaning assigned to it in the Covenant.

A. OBLIGATIONS OF PERMITTED MORTGAGEE: Any Permitted Mortgagee shall be bound by each of the following requirements unless the particular requirement is removed, contradicted or modified by a rider to this Covenant signed by the Homeowner and the DSCLT to modify the terms of the Covenant during the term of the Permitted Mortgage.

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

2. If, after the cure period has expired, the Permitted Mortgagee intends to accelerate the note secured by the Permitted Mortgage or begin foreclosure proceedings under the Permitted Mortgage, Permitted Mortgagee shall first notify the DSCLT of its intention to do so, and the DSCLT shall then have the right, upon notifying the Permitted Mortgagee within 30 (thirty) days of receipt of such notice, to acquire the Permitted Mortgage by paying off the debt secured by the Permitted Mortgage.

3. If the Permitted Mortgagee acquires title to the CLT Unit through foreclosure or acceptance of a deed in lieu of foreclosure, the Permitted Mortgagee shall give the DSCLT written notice of such acquisition and the DSCLT shall then have an option to purchase the CLT Unit from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage. To exercise this option to purchase, the DSCLT must give written notice to the Permitted Mortgagee of the DSCLT’s intent to purchase the CLT Unit within 30 (thirty) days following the DSCLT’s receipt of the Permitted Mortgagee’s notice. The DSCLT must then complete the purchase of the CLT Unit within 60 (sixty) days of having given written notice of its intent to purchase. If the DSCLT does not complete the purchase within this 60 (sixty) -day period, the Permitted Mortgagee shall be free to sell the CLT Unit to another person.

4. Nothing in the Permitted Mortgage or related documents shall be construed as giving Permitted Mortgagee a claim on the DSCLT’s interest in the Home, or as assigning any form of liability to the DSCLT regarding the Home, the Home, or the Permitted Mortgage.

5. Nothing in the Permitted Mortgage or related documents shall be construed as rendering the DSCLT or any subsequent Mortgagee of the DSCLT’s interest in this Covenant, or their respective heirs, executors, successors, or assigns, personally liable for payment of the debt secured by the Permitted Mortgage or any part thereof.

6. The Permitted Mortgagee shall not look to the DSCLT or the DSCLT’s interest in the Home, but will look solely to the Homeowner, the Homeowner’s interest in the CLT Unit for the payment of the debt secured thereby or any part thereof. (It is the intention of the parties hereto

that the DSCLT's consent to such Permitted Mortgage shall be without any liability on the part of the DSCLT for any deficiency judgment.)

7. In the event any part of the CLT Unit is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the Permitted Mortgagee in accordance with the provisions of Article 8 hereof.

8. The DSCLT shall not be obligated to execute an assignment of the Membership Fee or other rent payable by the Homeowner under the terms of this Covenant.

B. RIGHTS OF PERMITTED MORTGAGEE: The rights of a Permitted Mortgagee as referenced under Article 7.6 of the Covenant to which this Exhibit is attached shall be as set forth below.

1. Any Permitted Mortgagee shall without further consent by the DSCLT have the right to:

(a) cure any default under this Covenant, and perform any obligation required under this Covenant, such cure or performance being effective as if it had been performed by the Homeowner;

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

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

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

3. In the event that title to the estates of both the DSCLT and Homeowner are acquired at any time by the same person or persons, no merger of these estates shall occur without the prior written declaration of merger by Permitted Mortgagee, so long as Permitted Mortgagee owns any interest in the CLT Unit or in a Permitted Mortgage.

4. If the Covenant is terminated for any reason, or in the event of the rejection or disaffirmance of the Covenant pursuant to bankruptcy law or other law affecting creditors' rights, the DSCLT shall enter into a new Covenant for the CLT Unit with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to the DSCLT's approval, which approval shall not be unreasonably withheld), not more than 30 (thirty) days

after the request of the Permitted Mortgagee. Such Covenant shall be for the remainder of the term of the Covenant, effective as of the date of such termination, rejection or disaffirmance, and upon all the terms and provisions contained in the Covenant. However, the Permitted Mortgagee shall make a written request to the DSCLT for such new Covenant within 60 (sixty) days after the effective date of such termination, rejection or disaffirmance, as the case may be. Such written request shall be accompanied by a copy of such new Covenant, duly executed and acknowledged by the Permitted Mortgagee or the party designated by the Permitted Mortgagee to be the Homeowner thereunder. Any new Covenant made pursuant to this section shall have the same priority with respect to other interests in the Home. The provisions of this section shall survive the termination, rejection or disaffirmance of the Covenant and shall continue in full effect thereafter to the same extent as if this section were independent and an independent contract made by the DSCLT, the Homeowner and the Permitted Mortgagee.

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

6. In the event that the DSCLT sends a notice of default under the Covenant to the Homeowner, the DSCLT shall also send a notice of the Homeowner's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Article 12.2 of the Covenant to the Permitted Mortgagee at the address which has been given by the Permitted Mortgagee to the DSCLT by a written notice to the DSCLT sent in the manner set forth in said Article 12.2 of the Covenant.

7. In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of the Covenant, at the election of the Permitted Mortgagee the provisions of Article 9 shall be deleted and thereupon shall be of no further force or effect as to only so much of the Security so foreclosed upon or transferred.

8. Before becoming effective, any amendments to this Covenant must be approved in writing by Permitted Mortgagee, which approval shall not be unreasonably withheld. If Permitted Mortgagee has neither approved nor rejected a proposed amendment within 60 (sixty) days of the submission to Permitted Mortgagee, then the proposed amendment shall be deemed to be approved.

EXHIBIT: INITIAL APPRAISAL

[On File]

EXHIBIT: SAMPLE CALCULATION OF FORMULA PRICE UNDER LEASE

The “Initial Appraised Value” is \$105,000.00.

“Homeowner’s Purchase Price” is \$72,000.00.

Based on the above information the following formula is used to calculate the Formula Price:

- a) *Calculation of Market Value Appreciation (or Depreciation)*: For the purpose of determining the Formula Price, Market Value Appreciation (or Depreciation) shall be determined by subtracting Current Appraised Value from the Initial Appraised Value. Following is a table for calculating Market Value Appreciation (or Depreciation):

Current Appraised Value (at time of resale)		\$ _____
Minus Initial Appraised Value (at date of Ground Lease)	—	<u>\$105,000.00</u>
Equals Market Value Appreciation (or Depreciation)	=	\$ _____
Minus Capital Improvements Appraised Value		\$ _____
Equals Shared Market Value Appreciation (or Depreciation)		\$ _____

- b) *Calculation of Homeowner’s Share of Increase (or Decrease) in Market Value*: For the purpose of determining the Purchase Option Price, the Homeowner’s Share of Market Value Appreciation (or Depreciation) shall be determined by multiplying the Market Value Appreciation (or Depreciation) by 25% (twenty-five percent) Following is a table for calculating the Homeowner’s Share of Increase (or Decrease) in Market Value of the Home:

Market Value Appreciation (or Depreciation)		\$ _____
multiplied by Shared Appreciation (or Depreciation) Factor	x	25%
equals the Homeowner’s Share of Market Value Appreciation (or Depreciation)	=	<u>\$ _____</u>

- c) *Calculation of Formula Price*: The Formula Price shall be determined by adding the Homeowner’s Share of Market Value Appreciation (or Depreciation) to the Homeowner’s Purchase Price. Following is a table for calculating the Formula Price:

Homeowner’s Base Price		<u>\$72,000.00</u>
plus Homeowner’s Share of Market Value Appreciation (or Depreciation)	+	\$ _____
equals Formula Price	=	<u>\$ _____</u>