

Model Ground Lease Term Sheet

The following represents a nonbinding summary of the basic terms and conditions of the proposed ground lease, which Tenant's counsel will prepare. No party is to be bound in any way unless and until final documents have been agreed upon and exchanged.¹

Premises _____

Landlord _____, or its wholly owned single-purpose entity.

Tenant _____, or its wholly owned single-purpose entity.

Lease Term ____ years, starting when parties have signed the Lease and Landlord has delivered possession ("Commencement Date").

Options _____

Expenses "Triple net" lease. Tenant pays all taxes, insurance, and repairs, and bears all other risks, expenses, and responsibilities, with a few exclusions related to ownership of the fee. Tenant controls all operations, leasing, tax protests, etc.

Condition of As is at Commencement Date. No representations or war-

Premises ranties. Landlord may remove any improvements or personalty at any time before Commencement Date.

Interim Rent From Commencement Date until the day before the Base Rent Commencement Date, "Interim Rent" of \$_____ per month.

Base Rent Starting on the day ____ after Commencement Date (the "Base Rent Commencement Date"), Tenant shall pay annual base rent (the "Base Rent") of \$_____ per year, abated as follows.

Lease Year 1: 75% abated

Lease Year 2: 50% abated

Lease Year 3: 50% abated

Lease Year 4: 25% abated

Fixed Adjustments On the ____ anniversary of the Base Rent

to Base Rent Commencement Date and every ____ years thereafter (except at the time of any FMV-based reset), Base Rent shall rise by ____% of the Base Rent (before any abatement) in Lease Year 1.

Base Rent Re-Set On the first day of every ____ Lease Year, Base Rent shall reset to equal the Pricing Factor times the Land FMV. At each reset date, the "Pricing Factor" shall be [____%] [the sum of (a) current yield to maturity for U.S. Treasury obligations having a remaining term of ____ years; plus (b) ____% per annum]. The reset Base Rent shall, however, never fall below the Base Rent in the Lease Year just before the reset date.

FMV Land FMV shall consider the Land as vacant, unimproved, and unencumbered by the Lease, and shall include all development rights owned by Landlord and demised to Tenant on Commencement Date. FMV shall reflect the maximum FAR at Commencement Date, except as follows. If, after Commencement Date, the Land is downzoned and thereafter subject to a casualty after which Tenant cannot legally restore, then the FMV shall reflect the downzoning. Insurance proceeds shall be distributed accordingly. If, after Commencement Date, the Land is upzoned or its highest and best use changes, then FMV shall reflect such upzoning or change only to the extent the improvements actually use it. Any dispute over Land FMV shall be resolved through "baseball" arbitration.

Participation Landlord shall receive ____% of _____.

Financing The Lease shall be prior to all fee mortgages. Landlord shall have no obligation to join in any leasehold mortgages or to "subordinate the fee."

No limit on leasehold mortgages. Institutional leasehold mortgagees receive notice; opportunity to cure (but no need to cure "personal" defaults such as bankruptcy); control of amendments, modifications, terminations, and certain Tenant rights under the lease; right to a "new lease" if the lease