GROUND LEASE

THIS GROUND LEASE is made and entered into as of by and between THE TRUSTEES OF DAVIDSON COLLEGE, a nonprofit corporation organized under the laws of the State of North Carolina (the "College"), (the "Home Owner").

RECITALS

1. The College has established a faculty and staff housing program for the principal benefit and convenience of the members of the faculty and staff of the College. The principal objective of the housing program is to strengthen the educational program at the College by fostering an academic community in residence, creating affordable housing options close to the College's campus to help the College recruit and retain an excellent faculty and staff now and in the future, and support the interaction between students and faculty which is important to academic life at the College.

2. Within the Town of Davidson, North Carolina, the College owns certain homes and land and is willing to sell the homes and lease the land upon which the homes are built. The College is willing to lease to eligible members of the College's faculty and staff pursuant to the College's Housing Program, including the parcel of land more particularly described in Exhibit A to this Lease.

3. The College has determined that the Home Owner is an eligible and qualified participant under its Housing Program entitled to the benefits of such Program.

4. The Home Owner has this date acquired the house and other improvements located on the parcel of land more particularly described in Exhibit A to this Lease and the Home Owner wishes to lease from the College and the College has agreed to lease to the Home Owner said parcel under the terms of this Ground Lease.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I. - DEFINITIONS

1.01. "Allowable Cost Per Square Foot" means, in 1992 dollars, $60 per square foot. In 1993, and each year thereafter, the Allowable Cost Per Square Foot shall be equal to the product of the previously effective Allowable Cost Per Square Foot multiplied by the sum of one (1) plus the percentage change in the Marshall and Swift Index (as defined in Section 1.25) for the previous year expressed as a decimal.
1.02. "College" means The Trustees of Davidson College, a nonprofit corporation organized under the laws of the State of North Carolina or any successor thereto.

1.03. "Contribution to Value" means, expressed as a percentage, (a) the share of the cost of a Qualified Improvement that may be added to the Maximum Resale Price as set forth in Exhibit E attached hereto, or (b) if a Qualified Improvement is not of a type set forth on the list attached hereto as Exhibit E, the share of the cost of such Qualified Improvement. The cost of such appraisal shall be shared equally by the Home Owner and the College. The Contribution to Value for each type of improvement set forth in Exhibit E shall not be modified during the term of this Lease.

1.04. "Eligible Person" means any natural person who is eligible to participate in the Housing Program pursuant to the rules of the Housing Program as amended from time to time.

1.05. "Home Owner" means the lessee of the Property.

1.06. "Housing Program" shall mean the program described in the document entitled "Davidson College Faculty/Staff Housing Assistance Programs Reference Manual," as it may be amended by the College from time to time.

1.07. "Ineligible Person" means any natural person other than an Eligible Person.

1.08. "Lease" means this Ground Lease by and between the College and the Home Owner, as such may be amended from time to time.

1.09. "Leasehold Interest Rate" means eight percent (8%) per annum, provided that if, at the time of its imposition pursuant to the terms of this Lease, such rate shall be deemed to be usurious, the term "Leasehold Interest Rate" shall mean the highest interest rate then permitted by law.

1.10. "Lender" means any savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, real estate investment trust, pension fund, or other lending institution of substance (including the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation or other similar institutional secondary market mortgage purchasers) which performs functions similar to any of the foregoing, which makes or is the assignee of a loan to the Home Owner or a Successor Home owner secured by a deed of trust or mortgage on all or any portion of the Property and the improvements thereon.

1.11. "Maximum Resale Price" means the maximum permitted resale price of the Home Owner's interest in the Property and the improvements located thereon as determined pursuant to the provisions of Section 3.08(b).

1.12. "Person" means a natural person, corporation, business trust, estate, trust, partnership association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.
1.13. "Principal Residence," means a Person's primary residence as determined in accordance with the regulations of the Internal Revenue Service, as the same may be amended from time to time,

1.14. "Property" means the real property owned by the College described in Exhibit A to this Lease and the College's rights and benefits under the Declaration as an owner of the real property described in Exhibit A.

1.15. "Qualified Appraisers" means those appraisers listed by the College in the Housing Program office having the MAI, RM, SRA or other designation from the Appraisal Institute or other recognized appraisal body whom the College deems to be qualified to and interested in assisting the Home Owner to appraise Qualified Improvements on the Property to determine the Contribution to Value of the Qualified Improvements. From time to time, the College shall have the right to remove appraisers from the list or add new appraisers, as it deems appropriate.

1.16. "Qualified Addition" means a capital improvement constructed on the Property by the Home Owner subsequent to the Home Owner's execution of this Lease, which improvement is approved by the College in accordance with Sections 3.01 and 3.08 and which improvement adds to the footprint of the existing improvements or adds a level or story to the existing improvements through vertical construction, excluding a garage.

1.17. "Qualified Improvement" means a capital improvement constructed on the Property by the Home Owner subsequent to the Home Owner's execution of this Lease, which improvement is approved by the College in accordance with Sections 3.01 and 3.08, excluding a Qualified Addition and further excluding the replacement of an existing capital improvement, including, but not limited to, the roof, a window, door, outdoor siding, the heating or air conditioning system or landscaping.

1.18 "Resale Price Index" means:

(a) The sum of the percentage change during the "relevant period" (as defined below) for each of the following indices (expressed as a decimal): (i) the Charlotte, North Carolina Cost Index for a Type D Building (Wood Frame Construction) of the Comparative (Replacement) Cost Indexes Section (Section 98) of the Marshall Valuation Service published by Marshall and Swift Publications Co. (the "Marshall and Swift Index"), (ii) the "Faculty Salary Index" (as defined below), and (iii) the Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners and Clerical workers: Southern Region (1982-84=100) (the "CPI-W"), divided by three.

As used in this subsection (a), the "relevant period" shall run from the record date on which the Home Owner received title to the improvements on the Property to the date on which the Home Owner either commences the process of selling the improvements on the Property to the date on which the Home Owner is required to commence such process pursuant to the terms of this Lease, which date is determined
by the receipt of the notice required under Sections 3.05 or 3.06, or if no notice is given, thirty (30) days after the event giving rise to the notice requirement.

(b) (i) If the Marshall and Swift Index ceases to be published, it shall be replaced with any other index designated by the College which measures changes in the replacement cost of residential housing in or near Charlotte, North Carolina; (ii) if the CPI-W ceases to be published, it shall be replaced with any index designated by the College which measures changes in the cost of living in the "Southern Region," as defined by the Bureau of Labor Statistics; and (iii) as used in this Section 1.25, the "Faculty Salary Index" is an index of the annual average salary change for faculty of the College as calculated by the College from time to time, converted and expressed as a monthly percentage change.

(c) In the event one or more of the indices comprising the Resale Price Index ceases to be published prior to the resale of the improvements and assignment of this Lease, the Resale Price Index will be calculated in two steps: (i) first, the Resale Price Index shall be determined to the point at which the index ceased to be published using the original three indices; and (ii) second, the Resale Price Index shall be calculated from that point forward using the replacement index and the remaining indices.

1.19. "Successor Home Owner" means any purchaser/assignee who is a successor in interest to the Home Owner with respect to the Home Owner's interest in the Property pursuant to the provisions of Section 3.04 of this Lease or any person who succeeds to an interest under this Lease in the Property.

1.20. "Town" means the Town of Davidson, North Carolina.

1.21 "Permanent Retirement" means (i) after attaining the age of sixty, (ii) the end of full-time employment by the College after at least ten years of continuous full-time College employment, and (iii) no work for any other employer requiring more than twenty hours per week.

ARTICLE II. – PROPERTY AND BASIC TERMS OF LEASE

Section 2.01. Transfer of Leasehold Interest in Property. In consideration of the faithful performance by the Home Owner of the agreements and covenants herein provided, the College does hereby lease the Property to the Home Owner and the Home Owner does hereby lease the Property from the College, together with all rights and privileges appurtenant to the Property.

Section 2.02. Term. The term of this Lease shall be for a period of ninety-nine (99) years, commencing on the effective date hereof; subject, however, to the provision of Section 3.04 of this Lease and to earlier termination as hereinafter provided.

Section 2.03. Rental Payments
(a) The Home Owner shall not be required to pay any current rent to the College during the first five (5) years of the Home Owner's tenancy under this Lease; however, in consideration for such deferral, the Home Owner shall pay as additional rent a percentage of the appreciation, if any, derived by the Home Owner upon the sale of the improvements upon the Property and the assignment of this Lease equal to twenty percent (20%) of the remaining amount, if any, derived by the Home Owner at the time of any subsequent resale/assignment after the following three items are subtracted from the resale price of the improvements (as limited by Section 3.08): (i) the original purchase price of the improvements on the Property as paid by the Home Owner, (ii) the value of any Qualified Improvements as determined pursuant to Section 3.08(b)(iii), and (iii) the cost of any Qualified Additions as determined pursuant to Section 3.08(b)(iv).

(b) As additional rent the Home Owner shall pay the College in the sixth year of the term of this Lease and thereafter an annual rent equal to four percent (4%) per annum of the incremental increase, if any, in the "initial imputed land value" (as described below) as determined by revaluation after the initial five (5) years of the term of this Lease, and as revalued every five (5) years thereafter or on the date on which a resale/assignment transaction is closed, whichever occurs first, but provided that the total amount of any incremental increase in imputed land value so computed does not exceed ten percent (10%) per year or fifty percent (50%) every five (5) years. As used in this Section 2.03(b), the term "revaluation" means an alteration based on the difference in the Resale Price Index published immediately prior to the date on which the Property was leased or last revalued and the Resale Price Index published immediately prior to the date of the current revaluation; and the term "initial imputed land value" means the land value of the Property as set forth in Exhibit B to this Lease.

(c) Unless otherwise agreed to by the College, one twelfth of the annual rent described in Section 2.03(b) shall be paid monthly and shall be due on the first day of each month. Payments for partial months shall be prorated.

(d) The Home Owner shall be obligated to pay to the College any reasonable costs incurred by the College as set forth under this Lease, all of which payments shall be regarded as additional rent under this Lease.

(e) Upon any transfer of the Home Owner's interest under this Lease to a Successor Home Owner pursuant to the provisions of Section 3.04 of this Lease, the rent required by this Lease shall be adjusted with respect to the Successor Home Owner as provided in section 3.09 of this Lease.

(f) All payments enumerated in this Section 2.03 shall be made without offset of any kind.

Section 2.04. State of Title.
(a) The College represents and warrants to the Home Owner that the College's fee
title to the Property now is, and shall throughout the term of this Lease remain, free and clear of
any lien, charge, encumbrance, or claim whatsoever except as may be referred to and described in
Exhibit C to this Lease.

(b) The College covenants to the Home Owner that, at all times during the term of
this Lease and so long as the Home Owner is not in default under the terms of this Lease, the
Home Owner shall lawfully and quietly hold, occupy and enjoy the Property without disturbance
or hindrance by the College or by any other person claiming under or by right of the College.

Section 2.05. Uses and Purposes.

(a) The Home Owner shall not use or permit any other Person to use the Property or
any part thereof, nor allow any Person access for any use, which constitutes a nuisance. The
Home Owner shall, at his sole cost and expense, at all times during the term of this Lease,
conform to, and cause any Person using or occupying any part of the Property by license or
invitation of the Home Owner, to comply with the Lease and all applicable public laws and
ordinances. Pursuant to Section 6.07, the College shall have the right to perform any act
necessary to cause the Home Owner and the Property to so comply and shall be reimbursed as
provided in such Section. The Home Owner agrees to hold the College harmless from any
penalty, damages, or charge imposed for any violation of the foregoing or any law, ordinance, or
other regulation applicable to the use and occupancy of the Property occasioned by the negligent
or willful act or omission of the Home Owner or by any Person present on the Property by license
or invitation of the Home Owner.

(b) Notwithstanding the provisions of Section 2.05(a), the Home Owner shall have
the right to contest, by appropriate judicial or administrative proceedings, without cost or
expense to the College, the validity or application of any present or future public law, ordinance,
or regulation which restricts the use of the Property or which requires the Home Owner to repair,
maintain, alter, or replace the improvements located on the Property. The Home Owner shall not
be in default under this Lease for failing to commence repairs, maintenance, alterations, or
replacements until a reasonable time following the final judgment and conclusion of appeals in
any such administrative or judicial proceeding, provided that the Home Owner shall protect the
College and the Property from any lien by adequate surety bond or other appropriate security.
The Home Owner's right to contest shall be exercised in such a manner as to avoid any exposure
of the Property or the improvements on the Property to foreclosure or execution sale.

Section 2.06. Taxes and Assessments.

(a) The Home Owner shall have sole responsibility for paying or assuring the
payment of all real property taxes and assessments which may be imposed upon the Property, the
improvements thereon or this Lease. Any such tax or assessment may be paid in installments
when so allowed by the taxing or assessing entity.
(b) The Home Owner agrees to hold the College harmless from the payment of any tax or assessment required to be paid pursuant to Section 2.06(a). Subject to the provisions of Section 2.06(c), the Home Owner further agrees to prevent any such tax or assessment from becoming a delinquency lien upon the Property. If the payment of any such tax or assessment shall be delinquent, the College shall have the right but not the obligation to pay such tax or assessment, including all delinquent interest charges and penalties. In the event that the College makes any such payment, the amount of the payment shall be immediately due and payable to the College by the Home Owner and shall bear interest pending payment by the Home Owner at the Leasehold Interest Rate.

(c) The Home Owner shall have the right, at his or her own cost, to refuse to pay and to contest the amount or validity of any tax or assessment by an appropriate proceeding diligently conducted in good faith. However, the Home Owner's right to contest shall be exercised in such a manner as to avoid any exposure of the Property or any improvements on the Property to foreclosure or execution sale. Pending final judgment in and appeal from any such proceeding, the College shall not have the right to pay, remove, or discharge any tax or assessment so contested, provided that the Home Owner shall protect the College and the Property from any lien by adequate surety bond or other security deemed appropriate by the College.

(d) The College shall cooperate with the Home Owner in any proceeding brought by the Home Owner to contest the validity or the amount of any tax or assessment or to recover any such tax or assessment paid by the Home Owner. If the provisions of any law, rule, or regulation in effect at the time shall require that any such proceeding be brought by or in the name of the College, then the College shall join in such proceeding or permit the same to be brought in its name. If any such proceeding shall be brought by the Home Owner, the Home Owner shall indemnify and hold harmless the College against any and all loss, cost, or expense of any kind that may be imposed upon the College in connection therewith, including reasonable attorneys' fees incurred by the College.

(e) The Home Owner's obligation to pay taxes and assessments levied and assessed against the Property shall exclude, without limitation, the following taxes and charges, however denominated: business, income, or profits taxes levied or assessed against the College by federal, state, or other governmental entity; or estate, succession, inheritance, or transfer taxes of the College.

(f) Any taxes or assessments levied or assessed against the Property shall be prorated between the College and the Home Owner as of the commencement and expiration dates of the term of this Lease. If at any time during the term of this Lease any tax or assessment is levied for a benefit which shall have a useful life longer than the remaining term of the Lease and such tax or assessment may be paid in installments, then the Home Owner shall pay such installments during the term of this Lease and the College shall pay any installments thereafter if such tax or assessment may lawfully be applied to the College.
Section 2.07. Insurance.

(a) The Home Owner agrees, at the Home Owner's sole cost and expense, to keep all improvements, fixtures, and personal property on the Property insured at all times throughout the term of this Lease (including any period of time during which any building is in the process of construction, remodeling, or demolition), by "all risk" property insurance coverage, which may, at the Home Owner's option (unless otherwise required by the College), exclude earthquake and flood insurance. Such insurance shall be in an amount not less than ninety percent (90%) of the full insurable value of the improvements, provided such insurance is ordinarily and customarily available.

(b) The Home Owner agrees, at the Home Owner's expense, to purchase and to maintain at all times throughout the term of this Lease comprehensive personal liability insurance covering the Home Owner's interests in the Property. The coverage required shall not exceed that generally required in Mecklenburg County, North Carolina by mortgagors of property of comparable value to the Property and improvements on the Property.

(c) All insurance provided for in this Section 2.07 shall be effected under valid and enforceable policies issued by insurers of recognized responsibility and shall name the College as an additional insured and loss payee, as its interest appears, contain a waiver of subrogation rights by the insurer as to the College, and provide not less than thirty (30) days notice to the College of termination of coverage. A certificate of each insurance policy shall be provided to the College upon commencement of the term of this Lease and upon the renewal of each policy.

Section 2.08. Ownership of Improvements. All improvements made or constructed on the Property following the effective date of this Lease shall be the property of the Home Owner or of Successor Home Owners during the term of this Lease. At such time as the Home Owner or its successors or assigns no longer have any interest in the Property by virtue of this Lease, then all improvements and fixtures located on the Property shall become the property of the College, subject to the provisions of section 6.06 of this Lease.

Section 2.09. Condition of Property. The Home Owner hereby accepts the Property "as is" and acknowledges that the Property is in satisfactory condition. The College makes no warranty as to the suitability of the Property for the proposed uses by the Home Owner, and the College shall not be responsible for any land subsidence, slippage, soil instability, or damage resulting from such conditions, or for the existence of any hazardous waste or materials, including, but not limited to, petroleum products and byproducts and radon gas, as defined by any federal, state or local law, regulation or ordinance, located on or under the Property or in or on the improvements thereon. The Owner acknowledges and agrees that he or she has had full opportunity to inspect and test the Property for any adverse condition that might be present.

Section 2.10. Nonliability and General Indemnification of College. This Lease is made on the express condition that the College is to be free from all liability or loss by reason of injury or death to any person, or damage to or loss of property from whatever cause, whether in
or on the Property, or in any way connected with the Property or with the improvements or personal property therein or thereon, including any liability for injury or death to a Person or damage to or loss of property of the Home Owner, its agents, officers, servants, or employees other than where said injury or damage is caused by the willful or grossly negligent act or omission of the College. Accordingly, in addition to the indemnification set forth in Sections 2.05, 2.06, 2.11, and 4.04 of this Lease, the Home Owner hereby covenants and agrees to indemnify and hold harmless the College and its officers, employees, and agents from any and all liability, loss, costs, or obligations on account of, or arising out of, any such injury or loss however occurring. The Home Owner shall assume all risks of injury or death of any person or damage to or loss of any property of the Home Owner and any property under the control or custody of the Home Owner while upon the Property or damage to or loss of any property stored on the Property.

Section 2.11. Liens and Encumbrances.

(a) Subject to the provisions of Sections 2.06 and 5.02 of this Lease, the Home Owner hereby covenants to keep the Property free and clear of any and all liens or encumbrances of any kind whatsoever created by the Home Owners' acts or omissions or created by the performance of any labor for or the furnishing of any material, supplies, or equipment to Home Owner. The Home Owner further agrees to indemnify and hold the College harmless from any such liens, claims, or demands, and any and all related costs, damages, or liability.

(b) Following approval pursuant to Section 3.01, the Home Owner agrees to provide the College written notice of any work or improvement at least twenty (20) days before beginning the work or improvement. Should any lien be recorded against the Property or the improvements thereon which purports to be a lien against the interests of the College, the Home Owner agrees to purchase and record, at the Home Owner's sole cost and expense, a bond adequate to remove the purported lien against the interests of the College.

Section 2.12. Destruction and Restoration. If, during the term of this Lease, the improvements on the Property are wholly or partially destroyed by a risk covered by insurance, the Home Owner shall promptly restore the improvements to substantially the same condition as they were in immediately prior to such destruction, and such destruction shall not terminate this Lease.

ARTICLE III. - IMPROVEMENTS ON PROPERTY AND ASSIGNMENT/SUBLEASE UNDER LEASE

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Section 3.01. Plans and Specifications,

(a) Prior to the commencement of any construction or renovation on the Property by the Home Owner subsequent to the execution of this Lease (i) affecting the outward appearance of the Property or any improvement on the Property, (ii) affecting the structural integrity of any improvement on the Property, or (iii) which the College determines to be a capital improvement under generally accepted accounting principles or under the Internal Revenue Code of 1986, as amended, and the regulations thereunder, the Home Owner shall submit to the College for its approval the plans and specifications for such construction or renovation and detailed cost estimates. Such plans and specifications shall be in such detail and prepared in such manner as may reasonably be required to permit the College to make an informed judgment as to the overall design and manner of construction of the proposed construction or renovation. No such construction or renovation shall be undertaken by the Home Owner without the College's written approval of the plans and specifications except as provided below. The College shall have ninety (90) days from the submission of plans and specifications that are in a form adequate for the College to make an informed judgment to grant or deny approval. The College shall have the right to extend such period for a maximum of an additional ninety days upon notice to the Home Owner prior to the expiration of the first ninety-day period. If the College fails to render a written decision prior to such deadline, the construction or renovation shall be deemed approved.

(b) It is expressly understood and agreed that the College's approval of plans and specifications as required by this Section 3.01 shall not make the College responsible or liable to the Home Owner or to third persons for the design, construction, or quality of any improvement with respect to which its approval is given.

Section 3.02. Demolition of Improvements. During the term of this Lease, neither the Home Owner nor any Successor Home Owner shall demolish any structure or part thereof on the Property without the express written consent of the College, which consent shall be entirely within the College's discretion to grant or to withhold. Any consent by the College to such a request to demolish a structure or part thereof may be conditioned upon a requirement that the Home Owner or Successor Home Owner, as appropriate, immediately commence and diligently complete construction of a replacement structure, which construction shall be undertaken in compliance with Section 3.01 of this Lease and shall be otherwise consistent with the terms of this Lease.

Section 3.03. Utility Services. The Home Owner agrees to pay standard charges for each connection of the Home Owner's housing unit to utility lines (other than those utility lines to which the housing unit is connected at the time of the Home Owner's purchase) and for all utility services used by the Home Owner.

Section 3.04. Assignment of Lease and Sale of Improvements to the Property.
(a) The Home Owner may, subject to the terms and conditions set forth in this Lease, sell and convey the improvements on the Property and assign the interest under this Lease to any Person qualifying under Section 3.05 of this Lease, subject to the College's right to acquire the Lease and the improvements on the Property under Section 3.05. Upon the above-described assignment and sale, if the remaining term of this Lease is less than sixty (60) years, the Successor Home Owner purchasing the improvements may request that a new lease from the College be granted on the same general terms as this Lease except that the term of such new lease shall not exceed sixty (60) years. Each subsequent qualifying purchaser under Section 3.05 of this Lease shall have similar rights to request that this Lease or the then applicable lease be terminated and a new lease from the College be granted for a term of not to exceed sixty (60) years. The College agrees to consider such requests favorably if, in its judgment, the goals of the Housing Program are then being achieved.

(b) A transfer by the Home Owner described in Section 3.04(a) will be effective only if, at the time of such assignment, the Home Owner shall (i) pay to the College the full share of appreciation, if any, in the value of the improvements being sold which is due to the College pursuant to Section 2.03(a) of this Lease; (ii) reimburse the College with respect to any reasonable costs incurred by the College in the exercise of its rights under this Lease; and (iii) repay to the College (with interest if any) the full amount of any cash assistance, equity, second mortgage, or other loans made by the College to the Home Owner in connection with the Home Owner's occupancy of such improvements to the extent and as required by the applicable loan instruments.

Section 3.05. Transfers to Successor Home Owners.

(a) With respect to any assignment by the Home Owner of his or her interest in the Property, the Home Owner shall offer the Lease and improvements located on the Property for assignment and sale to prospective Successor Home Owners in accordance with the following priority system and such other rules and procedures as may be specified by the College in the Housing Program:

(i) For a period of thirty (30) days following notification by the Home Owner to the College of the Home Owner's intent to assign his or her interest in the Lease and sell the improvements on the Property, the College shall have the option to accept such assignment and purchase such improvements at a price equal to the lesser of (A) the price offered by the Home Owner or (B) the Maximum Resale Price. Such option of the College shall be fully and freely assignable to such persons and upon such terms and conditions as the College in its sole and absolute discretion may determine. If the College or its assignee notifies the Home Owner within the above-described thirty (30) day period that the option of the College will be exercised, the assignment and sale transaction between the College or its assignee and the Home Owner shall be closed within ninety (90) days after such notice has been given.

(ii) Upon expiration of the thirty (30) day period described in paragraph (i) above (or sooner if the College notifies the Home Owner that the College declines
to exercise or assign its option), the Home Owner's interest in the Lease and the improvements on the Property must, for a period of fifteen (15) days, be offered for assignment and sale to those Eligible Persons who are tenured faculty members of the College who have been tenured for less than ten years, Eligible Persons who are tenured faculty of the College renting a home as their primary residence outside of the Town, and Eligible Persons who are tenured faculty of the College living outside of a two-mile radius from Chambers Hall at the College, as well as to the College.

(iii) Upon expiration of the fifteen (15) day period described in paragraph (ii) above, the Home Owner's interest in the Lease and the improvements on the Property must, for a period of fifteen (15) days, be offered for assignment and sale to those Eligible Persons who are "senior staff" of the College, as defined from time to time, in the Housing Program, as well as to the College and the persons described in paragraph (ii) above.

(iv) Upon expiration of the fifteen (15) day period described in paragraph (iii) above, the Home Owner's interest in the Lease and the improvements on the Property must, for a period of fifteen (15) days, be offered for assignment and sale to Eligible Persons on the College's faculty and not described in paragraph (ii), as well as to the College and the persons described in paragraphs (ii) and (iii) above.

(v) Upon expiration of the fifteen (15) day period described in paragraph (iv) above, the Home Owner's interest in the Lease and the improvements on the Property must, for a period of fifteen (15) days, be offered for assignment and sale to Eligible Persons who are on the College's salaried staff and who have at least four (4) years of full-time service with the College and who are not described in paragraph (iii), as well as to the College and the persons described in paragraphs (ii) through (iv) above.

(vi) Upon expiration of the fifteen (15) day period described in paragraph (v) above, the Home Owner's interest in the Lease and the improvements on the Property must, for a period of fifteen (15) days, be offered for assignment and sale to Eligible Persons on the College's staff not described in paragraphs (ii) through (v), as well as the College and the persons described in paragraphs (ii) through (v) above.

(vii) Upon expiration of the fifteen (15) day period described in paragraph (vi) above, the College shall, for a period of fifteen (15) days, have the option to accept an assignment of the Home Owner's interest in the Lease and purchase the improvements on the Property at a price equal to the lower of (A) ninety percent (90%) of the Maximum Resale Price; or (B) ninety percent (90%) of the price offered by the Home Owner. Such option of the College shall be fully and freely assignable to such persons and upon such terms and conditions as the College in its sole and absolute discretion may determine. If the College or its assignee notifies the Home Owner within the above-described fifteen (15) day period that the option of the College will be exercised, the assignment and sale transaction between the College or its assignee and the Home Owner shall be closed within ninety (90) days after such notice has been given.
(viii) Upon expiration of the fifteen (15) day period described in paragraph i) above (or sooner if the College notifies the Home Owner that the College declines to exercise or assign its option under paragraph (vii) above), the Home Owner's interest in the Lease and the improvements on the Property may be offered for assignment and sale to an Ineligible Person so long as the sale price is no greater than the Maximum Resale Price.

(ix) Unless otherwise specified by the College, the Home Owner shall be considered to have fulfilled the offering requirements of paragraphs (ii) through (vii) above by providing a single notification to the College under Section 3.05(a)(i) of his or her intent to assign and sell with the terms of such assignment and sale.

(b) The provisions of Section 3.05(a) shall not apply to a transfer of this Lease and the improvements, on the Property (i) to a Lender in the event of foreclosure or a deed-in-lieu of foreclosure in compliance with Section 5.02 or (ii) by a Lender holding the Lease and the improvements on the Property as provided in Section 5.02(f) of this Lease. Notwithstanding the foregoing, however, any purchaser/assignee from a Lender pursuant to Section 5.02(f) shall be bound by all of the provisions of this Lease, including, but not limited to, the sales procedures and priorities of section 3.05(a) in the assignment of this Lease and the resale of the improvements on the Property.

(c) At each step in the offering process described in subsections (a) and (b) of this Section 3.05, the Home Owner's interest in the Property and the improvements thereon must be offered for assignment and sale on terms and conditions which are, in all material respects, no more favorable to the purchaser than the terms and conditions offered to higher priority purchasers/assignees. Further, the Home Owner's offer to assign and sell his or her interests in the Property and the improvements thereon must not be conditioned in any manner on the purchase, lease, or rental of any other real or personal property in which the Home Owner has an interest. The Home Owner shall certify to the College that he or she has complied with the requirements of this Section 3.05, including the requirements of this subsection (c). Except as may be expressly waived by the College, no closing of any assignment and sale transaction between the Home Owner and a Successor Home Owner shall occur within fifteen (15) days of the giving of such certification, during which period the College may review and, as appropriate, challenge the certification of the Home Owner. In the event of any such challenge by the College, the closing shall not proceed until such time as the College is satisfied that the requirements of this Section 3.05 have been fulfilled.

(d) The Home owner shall not discriminate against prospective Successor Home Owners on the basis of race, religion, sex, color, creed, national origin, sexual orientation or physical or mental handicap.

(e) Each assignment of this Lease and sale of the improvements upon the Property shall be closed in compliance with those standard terms and allocations of closing costs described in Exhibit F to this Lease.
(f) Except as provided in Section 5.02(f) of this Lease, any assignment and sale transaction undertaken in violation of the provisions of this Section 3.05 shall be void and of no force or effect.

Section 3.06. College's Option to Purchase in Cases of Changed Circumstances.

(a) Upon the occurrence of any event described in Section 3.06(b) and except for a transfer by a Lender as provided in Section 5.02(f) of this Lease, the Home Owner shall be required to offer for sale the Home Owner's interest in the Lease and the improvements on the Property to the eligible transferees described in Section 3.05 in the manner and at the price and on such terms described in such Section. The Home Owner shall be required to formulate his or her offer and transmit it to the College within thirty (30) days after the occurrence of an event under Section 3.06(b). In the event that the Home Owner fails to do so, the College shall have the right to set the terms of the offer, provided that the price shall be not less than ninety percent (90%) of the Maximum Resale Price.

(b) The obligation to offer the Property and the improvements thereon for sale described in Section 3.06(a) and as limited by the provisions of that and as limited by the subsection shall arise:

(i) Within six (6) months after the Home Owner who is an Eligible Person voluntarily resigns his or her position or his or her contract with the College expires and is not renewed;

(ii) Within six months after the employment of the Eligible Person is terminated by the College;

(iii) In the case of an Ineligible Person, one year after he or she shall have received an interest in the Property and the improvements thereon by will or operation of law or otherwise;

(iv) In the case of an Ineligible Person who is a surviving spouse of a deceased Eligible Person, one year after the death of the Eligible Person; and

(v) In the case of an Ineligible Person who has been awarded an interest in the Property and the improvements thereon by a court or other tribunal as a result of divorce, separation, or other legal proceedings, one year after the date the Property is awarded.

(c) In all other cases of changed circumstances including, without limitation, the retirement of a Home Owner who is an Eligible Person, the temporary or permanent disability of a Home Owner who is an Eligible Person, or the death of a Home Owner who is an Eligible Person and the succession of his or her spouse who is otherwise an Ineligible Person, the Home
Owner or Successor Home Owner may continue to hold his or her interest in the property and to own and occupy the improvements thereon on the same terms and conditions as prevailed before such change in circumstances.

(d) The acquisition of a fifty percent (50%) or less undivided interest in the Property and the improvements thereon by an Ineligible Person or Persons pursuant to a transfer for value or pursuant to Section 3.06(b) (iii), (iv), and (v) shall not constitute an event pursuant to which the Home Owner shall offer the Property and the improvements for sale and assignment under Section 3.05, if the remaining undivided interest is wholly owned by a Home Owner who qualified under Section 3.05 to acquire such interest and who occupies the Property and the improvements thereon as his or her Principal Residence.

Section 3.07. Use of Property for Residential Purposes.

(a) Except as provided in subsections (b) or (c) of this Section 3.07, the Home Owner shall reside on the Property, and the Property shall be used as the Principal Residence of such Home Owner and his or her immediate family, and for no other purpose.

(b) If the Home Owner, with the consent of the College, demolishes a housing unit on the Property, the requirement of subsection (a) of this Section 3.07 shall not be applicable until such time as a housing unit is constructed on the Property, provided that such housing unit shall be under ongoing construction within six (6) months of the date on which demolition of the housing unit commenced.

(c) Subject to rules and lease terms which may be promulgated by the College, the Home Owner will be permitted to rent a housing unit to an Eligible Person on a short-term basis (i.e., for a period not exceeding one (1) year), when he or she is away from the College campus on sabbatical, there exists a documented need temporarily to relocate due to illness, an approved leave of absence has been granted or he or she has left the employment of the College but has been unable to sell said housing unit in accordance with the terms of Section 3.05. Subject to rules and lease terms which may be promulgated by the College, the Home Owner will be permitted to rent a housing unit to an Ineligible Person on a short-term basis, for a period not exceeding one (1) year, when the Home Owner is away from the College campus on sabbatical, there exists a documented need temporarily to relocate due to illness, an approved leave of absence has been granted or he or she has left the employment of the College but has been unable to sell said housing unit in accordance with the terms of Section 3.05, if, as determined in the sole discretion of the College, the Home Owner has made reasonable efforts to rent to an Eligible Person and has been unsuccessful in so doing. The College may, in its discretion, approve rental periods of longer than one year.

(d) In the event the Home Owner wishes to rent the Property pursuant to the preceding subsection (c), he or she shall give the College thirty (30) days notice that the Property will be offered for rent and shall also notify the College when the Property is rented. The one-
(1) year time limit for renting the Property shall be deemed to commence on the earlier of (i) the
date a rental agreement for the Property is executed; (ii) the date the Home Owner ceases to be an
employee of the College; or (iii) the date on which the Home Owner has vacated or abandoned
the Property as his or her Principal Residence.

(e) The College may, at any time and from time to time, conduct such investigations
and require of the Home Owner such information as may be reasonably necessary to determine
compliance with the provisions of this Section 3.07.

(f) In the event that the College determines that the Home owner is in violation of the
requirements of this Section 3.07, the College shall have the option to require the assignment of
the Home Owner's interest in the Property and purchase the improvements thereon on the same
terms and conditions as specified in Section 3.06(a) of this Lease.

(g) Nothing contained in this Section 3.07 shall prohibit the holding of an interest in
the Property by a Lender following a foreclosure or a transfer by a deed-in-lieu of foreclosure of
a housing unit built on the Property.

Section 3.08. Resale Price Limitations.

(a) To assure that a housing unit constructed on the Property will remain affordable
by members of the College community, the parties agree that a resale price limitation will be
imposed on each resale transaction. The Home Owner agrees and acknowledges that the
Maximum Resale Price is a reasonable approximation of the fair market value of the
improvements on the Property and the value of this Lease, taking into account the benefits
bestowed upon the Home Owner under the Housing Program, including, but not limited to, the
deferral of ground rent. The Home Owner further understands and acknowledges that the
Maximum Resale Price is designed to provide an inflationary benefit to the Home Owner for
improvements to the Property that are typically depreciating, in order to provide a cost effective,
easily ascertainable and consistent value for both the improvements to the Property and the value
of the Home Owner's interest in the underlying land, which value is difficult to quantify. To
maintain the affordability of the improvements in order to benefit future Eligible Persons and
further the goals of the Housing Program, the Lease may not be assigned pursuant to the
provisions of Section 3.04 of this Lease nor may any improvements located on the Property be
sold by the Home Owner at a price for such assignment and sale that is greater than the
Maximum Resale Price of the Property as described in Section 3.08(b), except as provided in
Section 5.02(f) of this Lease.

(b) The Maximum Resale Price of the Property shall be:

(i) the purchase price of the housing unit on the Property as paid by
the Home Owner (such term to include all real property improvements and upgrades thereto,
fixtures, and attached personalty customarily transferred upon resale, all to the extent initially purchased with the housing unit); plus

(ii) the purchase price of the housing unit on the Property as paid by the Home Owner multiplied by the Resale Price Index; plus

(iii) the value of Qualified Improvements made by the Home Owner following acquisition and during his or her ownership determined in accordance with the following:

(A) If the Home Owner desires to have a Qualified Improvement included in the Maximum Resale Price, not more than ninety (90) days after the completion of the Qualified Improvement the Home Owner shall complete a form identifying the Qualified Improvement he or she desires to be added to the Maximum Resale Price and the date the Qualified Improvement was completed, and shall provide the College such evidence of the cost of the Qualified Improvement as the College shall reasonably request. Only those costs that are allowable as additions to the adjusted basis of the Property under the regulations of the Internal Revenue Service, as amended from time to time, will be allowed as costs of the Qualified Improvement. The value of the Home Owner's labor will not be an allowable item of the cost of a Qualified Improvement. In addition, the College may disallow that portion of the cost of the Qualified Improvement which the College believes, in its reasonable judgment, exceeds the reasonable cost of the Qualified Improvement; and

(B) The Contribution to Value of each Qualified Improvement shall be multiplied by the cost of the Qualified Improvement to arrive at the value of the Qualified Improvement for purposes of this subsection 3.08(b)(iii), and the sum of the value of all Qualified Improvements added to the Property by the Home Owner shall be added to the Maximum Resale Price, without adjustment for the Resale Price Index; plus

(iv) The actual cost of a Qualified Addition, determined in accordance with the following:

(A) If the Home Owner desires to have a Qualified Addition included in the Maximum Resale Price, not more than ninety (90) days after the completion of the Qualified Addition the Home Owner shall complete a form identifying the Qualified Addition he or she desires to be added to the Maximum Resale Price and the date the Qualified Addition was completed, and shall provide the College such evidence of the cost of the Qualified Improvement as the College shall reasonably request. Only those costs that are allowable as additions to the adjusted basis of the Property under the regulations of the Internal Revenue Service, as amended from time to time, will be allowed as costs of the Qualified Additions. The value of the Home Owner's labor will not be an allowable item of the cost of a Qualified Addition. Moreover, the College may disallow that portion of the cost of the Qualified Addition which the College believes, in its reasonable judgment, exceeds the reasonable cost of the Qualified Addition; and
(B) The actual cost of a Qualified Addition shall be further limited by Section 3.08(c) and shall not be adjusted for the Resale Price Index.

(c) Set forth on Exhibit G attached hereto is the square footage of the original heated improvements on the Property. No Qualified Addition or Additions that may be made to the improvements on the Property by the Home Owner may exceed ten percent (10%) of the square footage stated in Exhibit G. To the extent that the total costs (hard and soft) of any Qualified Addition constructed by the Home Owner exceeds the product of the number of square feet of the Qualified Addition (measured from exterior wall to exterior wall), multiplied by the Allowable Cost Per Square Foot, if at all, such excess shall not be an item of allowable cost in calculating the Maximum Resale Price of the Property under Section 3.08(b)(iv).

(d) Pursuant to the terms of the Lease, the College is empowered to promulgate and distribute regulations, from time to time, to implement the provisions of Section 3.08(b), which regulations shall be binding on the Home Owner.

Section 3.09. Notice of Transfer and Adjustment to Rent for the Property.

(a) No later than fifteen (15) days prior to the closing of any transaction as described in Section 3.05 of this Lease, the Home Owner shall notify the College of the proposed resale/assignment. The notice shall identify the Successor Home Owner and describe his relationship, if any, to the College. The College may from time to time specify other information which must be included in such notices. Upon the transfer of the Property to the Successor Home Owner, the rent paid with respect to the Property shall be adjusted, as necessary, as required by other provisions of this Section 3.09.

(b) Upon assignment of the Lease and sale of the improvements on the Property to a Successor Home Owner who is an Eligible Person, the "imputed land value" shall be revalued by the College in accordance with Section 2.03(b) and Exhibit B hereto shall be replaced. The Successor Home Owner shall pay no current rent during the first five (5) years of his or her tenancy, except as provided in Section 3.09(c).

(c) If the Lease is assigned and the improvements sold to a Successor Home Owner under Section 3.05(a)(viii) who is an Ineligible Person or by a Lender under Section 5.02(f) to a purchaser/assignee who is an Ineligible Person, the "imputed land value" shall be adjusted as in Section 3.09(b). Rent shall be paid currently during the first five (5) years of such Successor Home Owner's tenancy and shall be equal to eight percent (8%) per annum of the adjusted imputed land value. Such Successor Home Owner, however, shall not pay to the College the share of appreciation as deferred rent described in Section 2.03(a) upon assignment and sale.

(d) The Home Owner or Successor Home Owner shall execute such additional documents or instruments as may be required by the College to evidence the adjusted rent
obligations of the Successor Home Owner and the shared appreciation rights imposed and conferred by this Section 3.09.

Section 3.10. Effect of Assignment to Successor Home Owner

(a) The transfer or assignment of the Property under Section 3.04 of this Lease shall be a full and complete assignment. Following the effective date of such assignment, the Home Owner shall have no further interest under this Lease in the Property.

(b) Following each assignment or transfer under Section 3.04, the Successor Home Owner shall assume all of the obligations and responsibilities imposed on the Home Owner under this Lease, and all references in this Lease to the Home Owner shall be deemed to refer to such Successor Home Owner.

Section 3.11. Notice of Sale Price. No later than fifteen (15) days prior to the closing of any resale/reassignment transaction, the Home Owner and Successor Home Owner shall notify the College of the sale price to be derived by the Home Owner, to be certified by the College upon presentation of adequate documentation (in such form as may be prescribed by the College) by the Home Owner and Successor Home Owner. Certification by the College shall establish compliance with the resale price limitations contained in Section 3.08 of this Lease. The price as certified by the College shall be used in calculating the appreciation, if any, in the value of the improvements derived by the Home Owner as provided in section 2.03 and Exhibit B of this Lease. The price as certified by the College shall be the purchase price used in calculating the appreciation derived by the Successor Home Owner upon resale/reassignment, as provided in Section 3.09 of this Lease.

Section 3.12. Limitation of Rights of Assignment or Subletting

(a) Except as provided in Section 5.02 of this Lease or as may be expressly approved by the College, the Home Owner shall not grant, assign, sublease, exchange, or otherwise transfer any of his rights under this Lease other than in conformity with the provisions of this Article III, and any such attempted grant, assignment, sublease, exchange, or other transfer shall constitute a breach of this Lease.

(b) Any grant, assignment, sublease, exchange, or other transfer of any rights under this Lease, other than in compliance with Section 5.02 of this Lease or this Article III shall be void and of no force or effect.

ARTICLE IV. - OTHER RIGHTS AND OBLIGATIONS OF THE COLLEGE AND THE HOME OWNER.
Section 4.01. Entry by the College. Except as described below, no representative of the College may enter any improvement of the Home Owner on the Property without the Home Owner's prior consent, except in case of an emergency that appears to threaten injury to any person or destruction of any improvement. Representatives of the College shall have the right to inspect improvements under construction and, upon their completion, to ascertain that such improvements comply with the plans and specifications approved by the College, as provided in Section 3.01 of this Lease.

Section 4.02. Easements.

(a) The College reserves an easement across the Property for maintenance and upkeep purposes in the event that the Home Owner fails to comply with the maintenance and upkeep obligations under this Lease; however, the College has no obligation, and by this Lease does not undertake any obligation, to perform any maintenance or upkeep of the Property. The College also reserves the right to grant easements across the Property to utility companies and public agencies for the purpose of installing, operating, or maintaining lines or conduits for electricity, cable television, telephones, sewers, water, gas, sprinkling systems, and similar public or quasi-public facilities. No such easement shall unreasonably interfere with the use, occupancy, or enjoyment of the Property by the Home Owner.

(b) The Home Owner shall not enter into any contract or agreement with any entity with respect to any easement without the prior consent of the College.

Section 4.03. Estoppel Certificates. Either the Home Owner or the College, as the case may be, will execute, acknowledge, and deliver to the other, promptly upon request, its certificate certifying (i) that this Lease is unmodified and in full force and effect (or, if there has been any modification, that this Lease is in full force and effect as modified and stating the modification); (ii) the dates, if any, to which the rent has been paid; (iii) that there are no existing offsets or defenses against the enforcement of any term hereof on the part of the Home Owner to be performed or complied with (or, if so, specifying the same); and (iv) that no notice has been given to the Home Owner of any default which has not been cured. Any such certificate may be relied upon by any prospective purchaser/ transferee, mortgagee, or beneficiary under a deed of trust of the Property or any interest therein.

Section 4.04. Brokerage Commissions. Each party hereby agrees to indemnify the other party from and against any real estate brokerage commissions or other such obligations incurred by the indemnifying party as the result of the negotiation or execution of this Lease or any assignment thereof.

ARTICLE V. - NONSUBORDINATION AND PERMITTED ENCUMBRANCES BY THE HOME OWNER AND BY SUCCESSOR HOME OWNERS.
Section 5.01. Nonsubordination of Lease. This Lease shall be a prior lien against the Property in respect to any loan, mortgage, deed of trust, other lease, lien, or encumbrance that may hereafter be placed on the Property. The Home Owner agrees, without any cost or expense to the College, to execute any instrument which is necessary or is reasonably requested by the College to further effect the nonsubordination of this Lease.

Section 5.02. Permitted Encumbrances by the Home Owner.

(a) The Home Owner shall have the right, without obtaining the consent of the College, to assign all or part of the Home Owner's interest under this Lease as security to any Lender pursuant to a deed of trust or other appropriate security instrument. In such event, the College agrees to sign all necessary loan documents required by such Lender, provided that the College shall not be required to sign any note or deed of trust or otherwise become obligated to any Lender, and provided further that no such encumbrance shall constitute a lien upon the College's fee title to the Property.

(b) Concurrently with the execution of any deed of trust described in Section 5.02(a), the Home Owner shall furnish to the College the name and address of the holder thereof. The College shall thereafter mail to such Lender a duplicate copy of any and all notices which the College mails to the Home Owner.

(c) Upon the recording of any deed of trust described in Section 5.02(a), the Home Owner shall, at the Home Owner's expense, cause to be recorded in the Mecklenburg County Public Registry a written request executed and acknowledged by the College for a copy of all notices of default and sale under such deed of trust as provided by the laws of North Carolina. To the extent permitted by applicable law, inclusion in the body of the recorded deed of trust itself of a request for notice having the effect described above shall constitute compliance with this provision. Further, any deed of trust or similar security instrument shall contain the written agreement of the Lender that the College shall be notified by the Lender within thirty (30) days of any default by the Home Owner under the instrument and shall be given the opportunity to correct the default and assume the loan prior to the initiation of any foreclosure action.

(d) No deed of trust or other documents may be recorded by the Home Owner or any Successor Home Owner or any Lender on the Property prior to the recordation of this Lease or memorandum hereof.

(e) Any deed of trust or similar security instrument in connection with improvements constructed or to be constructed on the Property shall provide that, prior to the institution of any proceeding to foreclose any such instrument or negotiations to accept an assignment in lieu of the foreclosure of any such instrument, the holder or beneficiary of such instrument shall notify the College to that effect. Further, any such deed of trust or similar security instrument shall provide that the College shall have the right (but not the obligation) within sixty (60) days after the giving of such notice to purchase the instrument and the indebtedness which it secures at a purchase
price equal to the full amount then owing under said instrument, including interest accrued and unpaid thereon, the reasonable fees of the attorneys for the holder or beneficiary, and statutory costs and allowances in the event any foreclosure proceeding shall have commenced.

(f) Any Lender under a deed of trust described in Section 5.02(a) that acquires an interest under this Lease by foreclosure or deed-in-lieu of foreclosure may assign or transfer the same (or any interest under any new lease obtained pursuant to subsection (a) of Section 3.04 of this Lease) and sell the improvements on the Property to an Eligible or an Ineligible Person without complying with the offering requirements of Section 3.05(a) and without complying with the closing requirements of Exhibit F, and any such Lender shall be entitled to assign the Lease and sell the improvements on the Property for a resale price that is not limited or bound by the Maximum Resale Price as determined under Section 3.08.

(g) Except as provided in Section 5.02(h), in an event of an assignment of the Lease and sale of the improvements on the Property by the Lender pursuant to Section 5.02(f), as deferred rent under Section 2.03(a) the Lender shall pay the College twenty percent (20%) of the positive difference, if any, between the resale price obtained by the Lender and the "Lender's Basis," in the Lease and the improvements on the Property. The Lender's Basis in the Lease and the improvements on the Property shall be equal to the principal amount that was owed on the deed of trust loan immediately preceding the foreclosure or deed-in-lieu of foreclosure, including interest accrued and unpaid thereon through the date of transfer, interest that would have been paid on the deed of trust except for the transfer up to the date of resale, real property taxes that have been paid by the Lender or have accrued on the Property and the improvements on the Property, the reasonable fees of the attorneys for the Lender, statutory costs and allowances permitted in connection with the foreclosure or other proceeding, and any other reasonable holding costs and repair costs incurred by the Lender as a result of the foreclosure or the acceptance of a deed-in-lieu of foreclosure. The deferred rent described above shall be paid to the College by the Lender at the Lender's closing with the purchaser/assignee. The Lender and any Successor Home Owner shall be required to perform the obligations of a Home Owner under this Lease for as long as such assignee or transferee holds a leasehold interest in the Property.

(h) The obligation to pay deferred rent under Section 2.03(a), Section 3.04(b)(i) or Section 5.02(g), and the obligation to reimburse the College for certain costs as provided in Section 3.04(b)(iii), shall not be effective against the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or any other similar institutional secondary market mortgage holder which as Lender acquires the improvements on the Property and an interest in this Lease through foreclosure or deed in lieu of foreclosure.

(i) The written consent of the College shall not be required to any assignment or other transfer of the Home Owner's interest in this Lease at a foreclosure sale under any deed of trust described in Section 5.02(a), a judicial foreclosure under such deed of trust, or an assignment to the Lender under such deed of trust in lieu of foreclosure.
(j) The notification provisions of Section 3.11 of this Lease shall apply to any assignment and sale transaction under this Section 5.02, except insofar as such application may be impractical in the case of a foreclosure sale under any deed of trust described in Section 5.02(a), a judicial foreclosure under such deed of trust, or an assignment to the Lender under such deed of trust in lieu of foreclosure.

(k) Except as provided in Section 6.08 of this Lease, the College and the Home Owner agree that there shall be no modification, mutual termination, or surrender of this Lease by the College and the Home Owner without the prior written consent of each Lender that is a beneficiary of a deed of trust described in Section 5.02(a) and whose interest could be affected by such action.

ARTICLE VI. - DEFAULT, TERMINATION, AND CONDEMNATION

Section 6.01. Default by the Home Owner.

(a) Subject to the provisions of Section 6.01(b) of this Lease, if at any time the Home Owner shall fail to remedy any default in the payment of rental due under this Lease for thirty (30) days after notice thereof, or fail to remedy any default with respect to any of the other provisions, covenants, or conditions of this Lease to be kept or performed by Home Owner within sixty (60) days after notice thereof, or such additional time as is reasonably required to cure such default, or if the Home Owner abandons the Property, the College shall have the right to terminate this Lease and the Home Owner's right to possession of the Property by giving notice of such termination to the Home Owner and any Lender under a deed of trust described in Section 5.02 of this Lease.

(b) The College shall not take any action to terminate this Lease because of any default or breach on the part of the Home Owner if any Lender under a deed of trust described in Section 5.02 of this Lease:

(i) within forty-five (45) days after the giving of notice to the Lender by the College of the College's intention to terminate this Lease for such default or breach, shall cure such default or breach if the same can be cured by the payment or expenditure of money; or

(ii) shall diligently take action to obtain possession of the Property (including possession by receiver) and to cure such default or breach in the case of a default or breach which cannot be cured unless and until the Lender has obtained possession; or

(iii) if such default or breach is not curable as provided under clause (i) or (ii) of this subsection, shall institute and complete judicial or nonjudicial foreclosure proceedings or otherwise acquire the Home Owner's interest with due diligence, and keep and perform all of the covenants and conditions of this Lease requiring the payment or expenditure of money by the Home Owner until such time as the Home Owner's interest shall be sold upon foreclosure pursuant to the deed of trust or shall be released or reconveyed thereunder; provided that a Lender shall not be required to continue such action for possession or such foreclosure.
proceedings if such default or breach shall be cured by the Home Owner; and provided further that, if such Lender shall fail or refuse to comply with the conditions of this subsection, the College shall be released from the covenant of forbearance set forth in this subsection.

Section 6.02. Remedies of the College.

(a) If the College terminates this Lease in accordance with the provisions of Section 6.01, the College may recover from the Home Owner:

(i) unpaid rent which had been earned at the time of termination, including, but not limited to the deferred rent under section 2.03(a), which termination shall be treated as if an assignment of the Lease and a sale of the improvements on the Property had occurred at the Maximum Resale Price; however, the Home Owner shall not be entitled to any payment from the College for any equity in the Lease or the improvements on the Property;

(ii) all other amounts then owed to the College; and

(iii) any other amount necessary to compensate the College for all the detriment proximately caused by the Home Owner's failure to perform obligations under this Lease.

(b) Efforts by the College to mitigate any damages caused by the Home Owner's breach of this Lease shall not be treated as a waiver of the College's right to recover damages under this Section 6.02. Nothing in this Section 6.02 shall affect the right of the College to be held harmless for any liability arising prior to the termination of this Lease for death, personal injury, or property damage as provided in this Lease.

(c) Rent not paid when due shall bear interest at the Leasehold Interest Rate from the due date until received by the College.

Section 6.03. Effects of Waiver by the College. No waiver by the College at any time of any of the terms, conditions, covenants, or agreements of this Lease shall be deemed or taken as a waiver at any time thereafter of the same or any other term, condition, covenant, or agreement herein contained, nor of the strict and prompt performance thereof by the Home Owner. No delay, failure, or omission of the College to reenter the Property or to exercise any right, power, privilege, or option arising from any default, shall impair any such right, power, privilege, or option, or be construed as a waiver of any such right, power, privilege, or option, or relinquishment thereof, or acquiescence to such default, and no notice by the College shall be required to restore or revive time as of the essence hereof or any other covenant or condition after waiver by the College of default in one or more instances. No option, right, power, remedy, or privilege of the College shall be construed as being exhausted or discharged by the exercise thereof in one or more instances. Each and all of the rights, powers, options, or remedies given the College by this Lease are cumulative and no one of them is exclusive of the other or
exclusive of any remedies provided by law, and the exercise of one right, power, option, or remedy by the College shall not impair its right to any other.

Section 6.04. Attorney’s Fees. In the event that either the College or the Home Owner brings suit against the other to enforce rights under this Lease, the prevailing party shall recover from the other reasonable attorneys' fees to be fixed by the court.

Section 6.05. Surrender of Property. Upon the expiration of the term of this Lease (as such term may be extended in accordance with the provisions of this Lease) or upon an earlier termination of this Lease, the Home Owner shall quit and surrender the Property, including any improvements on the Property, to the College without further obligation on the part of either party to this Lease, free and clear of all liens and encumbrances other than those that existed at the beginning of the term of this Lease or created by or with the approval of the College. At the end of the term of this Lease or upon its earlier termination, the title to and ownership of the improvements on the Property shall automatically rest with the College without the execution of any further instrument.

Section 6.06. Home Owner's Right To Remove Personal Property. At the expiration of the term of this Lease or the earlier termination thereof, the Home Owner shall have the right to remove any and all of Home Owner's personal property from the Property, provided that the Home Owner shall be responsible for any resultant damage to the Property or the improvements or fixtures thereon and shall take reasonable steps to preserve the appearance of the Property. Any personal property which is not removed within sixty (60) days of the expiration date of this Lease or the earlier termination thereof, shall become the property of the College. For purposes of this Lease, the term "personal property" shall not be deemed to include fixtures or other property permanently affixed to the Property.

Section 6.07. Failure of Home Owner To Perform Required Acts. Subject to the provisions of Section 2.06(c) of this Lease, if at any time during the term of this Lease, the Home Owner fails, refuses, or neglects to do any of the things herein required to be done by the Home Owner, the College shall have the right but not the obligation to do the same, but at the cost of and for the account of the Home Owner; provided that the College shall in no case take such action sooner than thirty (30) days after giving the Home Owner written notice of such failure, refusal, or neglect and allowing said period within which the Home Owner may commence a bona fide effort to cure the same. The amount of any money expended by the College pursuant to this Section 6.07, together with interest thereon at the Leasehold Interest Rate, shall be repaid to the College by the Home Owner as additional rent forthwith upon demand. Nothing contained in this Section 6.07 shall diminish the rights of the College with regard to defaults under Section 6.01 or with regard to remedies under Section 6.02 of this Lease.

Section 6.08. Condemnation.
(a) If, during the term of this Lease, the entire Property shall be taken as a result of the exercise of the right of eminent domain, or if less than the entire Property shall be taken but it shall be determined by the Home Owner in his or her reasonable judgment that the improvements on the Property cannot at a reasonable expense be repaired, restored, or replaced to a condition suitable for residential purposes, this Lease may, at the option of the Home Owner, be terminated by the Home Owner as of the date of such taking, and the rights of the College and the Home Owner in and to the award upon any such taking shall be determined in accordance with this Section 6.08(d).

(b) If less than the entire Property shall be taken as a result of the exercise of the right of eminent domain and it shall be determined by the Home Owner in his or her reasonable judgment that the improvements on the Property can be repaired, restored, or replaced to a condition suitable for residential purposes, this Lease shall not terminate but shall continue in full force and effect for the remainder of its term. The rights of the College and the Home Owner in and to the award upon any such taking shall be determined in accordance with Section 6.08(d). The Home Owner shall, with due diligence, restore, repair, and replace that portion of the improvements not so taken to a condition suitable for residential purposes, having due regard for the design, construction, and character of the improvements existing before such taking.

(c) If all or any portion of the Property or the improvements on the Property shall be taken by the exercise of the right of eminent domain for governmental occupancy for a limited period of time, this Lease shall not terminate and the Home Owner shall continue to perform and observe all of his obligations as though such taking had not occurred except to the extent that the Home Owner may be prevented from so doing by reason of such taking. The Home Owner shall in no event be excused from the payment of rent and all other sums and charges required to be paid under this Lease.

(d) If all or a portion of the Property shall be taken by exercise of the right of eminent domain, the total award in any such proceeding or for any such injury or reduction in value shall be determined as follows:

(i) In the event of any taking that results in the termination of this Lease in accordance with the provisions of this Section 6.08, then the College and, subject to the rights of any Lender, the Home Owner shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests in the Property and improvements constructed on the Property.

(ii) In the event of any taking of a portion of the Property or of the improvements on the Property that does not result in the termination of this Lease in accordance with the provisions of this Section 6.08, then the College and, subject to the rights of any Lender, the Home Owner shall be entitled to prosecute claims in such condemnation proceedings for the value of their respective interests affected by such taking.

(e) As used in this Section 6.08, the phrase "taken as a result of the exercise of the right of eminent domain" shall mean a taking or damaging by eminent domain, or by inverse
condemnation, or by deed or transfer in lieu thereof, for any public or quasipublic use under any statute or law. The taking shall, at the election of the Home Owner, be considered to take place as of the earlier of (i) the date actual physical possession is taken by the condemnor; or (ii) the date on which the right to compensation and damages accrues under the applicable law; or (iii) the date on which title vests in the condemnor.

(f) In the event that any Lender acquires an interest under this Lease by foreclosure or deed-in-lieu of foreclosure, then such Lender shall be entitled to the same rights and subject to the same requirements and restrictions as the Home Owner as set forth in this Section 6.08.

ARTICLE VII. - MISCELLANEOUS

Section 7.01. Force Majeure. If either party shall be delayed or prevented from the performance of any act required by this Lease by the reason of acts of God, strikes, lockouts, labor troubles, inability to secure materials, or other cause, without fault and beyond the reasonable control of the party obligated (financial inability excepted), performance of such act shall be excused for the period of the delay; and the period for the performance of any such act shall be extended for an Owner from the prompt payment of any rental or other charge required of the Home Owner. The party delayed or prevented from the performance of any act as above described shall notify the other of such delay or prevention within fifteen (15) days of the inception thereof, and shall thereafter keep said party regularly informed of the status of such delay or prevention.

Section 7.02. Time of the Essence. The parties hereto agree that time is of the essence in this Lease and, accordingly, that time limits stated herein are to be strictly observed.

Section 7.03. Binding Effect. The provisions of this Lease shall bind and inure to the benefit of the heirs, executors, administrators, successor, and assigns of the original parties to this Lease, provided that nothing in this Section 7.03 shall be deemed to authorize or permit the assignment of any interest in this Lease other than in strict compliance with the provisions hereof.

Section 7.04. Notices.

(a) All notices required to be given or provided for in this Lease shall be in writing.

(b) All notices required to be given or provided for in this Lease shall be deemed given when hand delivered to the addressee or deposited in the United States mail properly addressed to the addressee with postage prepaid in certified or registered form, return receipt requested.

(c) All notices to the College shall be delivered or mailed to Mr. Robert C. Norfleet, Vice President for Business and Finance, Davidson College, Davidson, North Carolina 28036; or to such other person or place as the College may from time to time direct.
(d) All notices to the Home Owner shall be delivered or mailed to the address set forth in Exhibit D; or to such other person or place as the Home Owner may from time to time direct.

(e) All notices to any Successor Home Owner shall be delivered or mailed to such address as the Successor Home Owner shall designate to the College at the time the Successor Home Owner acquires an interest in the Property or from time to time thereafter.

(f) In the event that any Lender (as defined in Section 5.02) has present rights under Section 5.02 of this Lease, then any notice sent to the Home Owner or a Successor Home Owner shall be effective and deemed given only if a copy of such notice is simultaneously hand delivered or sent to such Lender by registered or certified mail, return receipt requested, at an address previously provided by the Home Owner or Successor Home owner or such Lender.

Section 7.05. Memorandum of Lease. Concurrently with the execution of this Lease, the parties hereto shall execute and acknowledge a memorandum of this Lease for the purpose of recording the same in the Mecklenburg County Public Registry. Such memorandum shall contain a description of the Property, the names of the College and the Home Owner, and the term of this Lease.

Section 7.06. Nonmerger of Fee and Leasehold Estates. If under any circumstances both the College's and the Home Owner's estates in the Property become vested in the same owner, this Lease nevertheless shall not be extinguished by application of the doctrine of merger except at the express election of the owner and with the express written consent of the beneficiary or beneficiaries under all deeds of trust affecting the Property and the Home Owner's leasehold estate.

Section 7.07. Captions, Gender, and Number.

(a) The captions used herein are for convenience only and are not a part of this Lease and do not in any way limit or amplify the terms or provisions hereof.

(b) As used in this Lease, the use of one gender shall include the other, and the use of the singular shall include the plural and vice versa, as the context may require.

Section 7.08. Governing Law and Construction. This Lease shall be construed and interpreted in accordance with and governed by the laws of the State of North Carolina. The language in all parts of this Lease shall, in all cases, be construed according to its fair meaning and not strictly for or against the College or the Home Owner.

Section 7.09. Unenforceability or Invalidity of Provision. In the event and to the extent that any provision of this Lease should be found invalid, void, or unenforceable by a court of competent jurisdiction, or so rendered by legislative or administrative action, the validity of the remainder of this Lease shall not be affected and shall remain in full force and effect as if this
Lease had been executed with the portion held to be invalid, void, or unenforceable eliminated. To accomplish the intentions of the parties as expressed in this Lease, the parties shall, if necessary, conclude a modification to this Lease, on terms that are reasonable and which will accomplish as nearly as possible the original intention of the parties as reflected in the portion held to be invalid, void, or unenforceable.

Section 7.10. Entire Agreement; Amendments. This Lease contains all of the covenants, terms, provisions, and agreements between the College and the Home owner relating in any manner to the subject matter hereof. No prior agreement or understanding with respect to the same shall be valid or of any force or effect, and no covenant, term, provision, or agreement of this Lease shall be altered, changed, modified, or added to, except in writing, signed by the College and the Home Owner, and with the written consent of any Lender of the Home Owner as provided in Section 5.02 of this Lease. No representation, inducement, or understanding of any nature whatsoever made, stated, or represented on behalf of either party hereto, either orally or in writing, has induced the other party to enter into this Lease, except as set forth in this Lease.

Section 7.11. Rule Against Perpetuities. Notwithstanding any other provision of this Lease to the contrary, the rights provided to the College, Eligible Persons, Lenders and Ineligible Persons to acquire this Lease and the improvements on the Property under Sections 3.05, 3.06, or 5.02 shall terminate if not exercised within twenty-one (21) years after the death of the last member of the student body of the College as it is constituted on the date this Lease is executed.

Section 7.12. Assignment and Delegation by the College. Notwithstanding any other provision of this Lease, the College reserves the right to assign and delegate its rights and duties under this Lease.

Section 7.13. Exhibits. All of the Exhibits to this Lease are hereby incorporated by reference in this Lease and shall, together with this Lease, be deemed one and the same instrument.
IN WITNESS WHEREOF, the parties hereto have executed this Ground Lease the day and year first above written.

THE TRUSTEES OF DAVIDSON COLLEGE

By: ________________________________

Title________________________________

HOME OWNER

____________________________________

____________________________________
EXHIBIT A

DESCRIPTION OF PROPERTY

(Legal description to be inserted for leasehold parcel prior to closing.)
EXHIBIT B

INITIAL IMPUTED LAND VALUE PROPERTY

(To be completed for leasehold parcel prior to execution of the Home Purchase Contract.)

The "initial imputed land value" of the Property, without the housing improvements built thereon, on the date of this Lease is
EXHIBIT C
STATE OF TITLE TO PROPERTY

[To be completed for leasehold parcel prior to closing.]
EXHIBIT D

ADDRESS OF HOME DELIVERY OF NOTICES

Name(s) of Home Owner(s): _____________________________________

Address of Home Owner(s): _____________________________________

____________________________________

Telephone Number(s) of Home Owner(s):

Home - ( )____________________________

Office -( )____________________________
### LIST OF QUALIFIED IMPROVEMENTS AND THEIR CONTRIBUTION TO VALUE

<table>
<thead>
<tr>
<th>IMPROVEMENT</th>
<th>CONTRIBUTION TO VALUE</th>
<th>DESCRIPTION OF IMPROVEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major kitchen remodel</td>
<td>89%</td>
<td>Replace cabinets, update appliances, refinish floors, redesign interior</td>
</tr>
<tr>
<td>Minor kitchen remodel</td>
<td>90%</td>
<td>Refinish cabinets, new counter-tops, cabinet hardware, wall coverings and floors</td>
</tr>
<tr>
<td>Remodel bath</td>
<td>79%</td>
<td>Update bathroom with new fixtures, wall and floor coverings and lights</td>
</tr>
<tr>
<td>Add a Bath</td>
<td>94%</td>
<td>Add a second bath within the original footprint of the home</td>
</tr>
<tr>
<td>Family Room Addition</td>
<td>83%</td>
<td>Add a family room within the original footprint of the home</td>
</tr>
<tr>
<td>Sun room addition</td>
<td>71%</td>
<td>Add a sunroom to the kitchen, living room or dining room within the original footprint of the home</td>
</tr>
<tr>
<td>Deck addition</td>
<td>71%</td>
<td>Add a wood deck to home</td>
</tr>
<tr>
<td>Master Suite</td>
<td>80%</td>
<td>In a home with four or five bedrooms, combine two existing bedrooms into a master suite</td>
</tr>
<tr>
<td>Attic or other bedroom</td>
<td>84%</td>
<td>In a two or three-bedroom - convert two existing bedrooms into a master suite</td>
</tr>
<tr>
<td>Add a swimming pool</td>
<td>32%</td>
<td>Install a permanent swimming pool</td>
</tr>
</tbody>
</table>
Exhibit F

TERMS OF CONTRACT FOR SALE OF HOME OWNER'S INTEREST IN THE LEASE AND TITLE TO THE IMPROVEMENTS

[NOTE: Upon the exercise of any option or acceptance of any offer made pursuant to Section 3.05 or Section 5.02, at the request of the College or any party to the purchase, the parties shall execute a North Carolina Bar Association Approved Form of Offer to Purchase and Contract to confirm the terms of contract.]

1. Price: As set forth in the Ground Lease.

2. Closing Date: As agreed upon the parties, but no later than ninety (90) days after the date of notice of exercise of the option to purchase.

3. Closing Place: At the offices of Davidson College or at such other place as the parties shall mutually agree upon.

4. Fixtures: Built-in appliances (e.g., microwave ovens, dishwashers, etc.) shades, blinds, window treatments, light fixtures, burglar alarms are to remain as well as shrubbery, plants and other landscaping.

5. Financing: If the Purchaser is anyone other than the College, the Purchaser’s obligations hereunder are contingent upon Purchaser’s obtaining a commitment within thirty (30) days of the date of exercise of the option to purchase, from a reputable financial institution to finance up to 80% of the purchase price at the then current rate and terms available in the Davidson, North Carolina area.

6. Possession: Possession (and all keys) to be delivered at closing.

7. Risk of Loss: Risk of loss prior to closing shall be upon the Home Owner.

8. Prorations and Adjustments: Ad valorem taxes shall be prorated on a calendar year basis as of the date of closing. The Home Owner shall pay all assessments through the month in which closing occurs. Purchaser shall be responsible for all costs associated with any financing obtained by Purchaser, whether in the form of a new loan or by assumption of
the Home Owner's existing loan, but if the latter shall apply, the Home Owner shall make all payments required to bring the Home Owner's loan and any escrow accounts current as of closing, and interest and other loan charges prepaid by the Home Owner shall be paid to the Home Owner by Purchaser.

9. Binder: If the Purchaser is anyone other than the College, Purchaser shall deposit with the College, as escrow agent, an earnest money deposit equal to 5% of the purchase price which shall be applied to the purchase price at closing, refunded to Purchaser in the event of a default by the Home Owner or in the event of a failure of any closing condition or forfeited to the Home Owner in the event of any default by Purchaser.

10. Conditions of Closing:

(a) The property must be in substantially the same condition at closing as on the date of purchaser's exercise of the option, reasonable wear and tear excepted;

(b) Title shall be delivered by Assignment of the Home Owner's interest in the Lease (the "Assignment") and by general warranty deed with respect to the Improvements (the "Deed"), and must be fee simple marketable title, free of all encumbrances except the lien of ad valorem taxes for the current year and utility easements provided that neither the Home Owner nor the property are in violation of the any rules and regulations promulgated by The Town of Davidson or any neighborhood, subdivision or homeowner’s association.

(c) (i) All electrical, plumbing, heating and cooling systems, built-in appliances, sprinkler system, alarm systems and moveable and/or motorized components (e.g., windows and doors, jacuzzis, etc.) shall be in good working order, (ii) the roof, gutters, structural components, foundation, fireplaces and chimneys shall be performing the function for which intended and shall not be in need of immediate repair, and (iii) there shall be no evidence of active infestation of, or damage from wood destroying insects or damage from excessive moisture or leaks. Purchaser, at its expense, may have inspections made to verify the foregoing conditions, and if any repairs or treatment are recommended, the Home Owner shall cause such repairs and/or treatment to be completed at its expense to the satisfaction of Purchaser's inspections) at least five (5) business days prior to closing. If such requirement has not been satisfied by such date, Purchaser shall receive a credit against the purchase price equal to the estimated cost of such work given by Purchaser's inspector(s),

11. Closing Documents and Expenses: The Home Owner shall furnish at its expense the Deed, the Assignment, an Owner's Affidavit satisfactory to Purchaser and its title insurer and any documents required by state or federal tax laws or regulations. The Home Owner shall pay the North Carolina excise tax owned in connection with the recordation of the Deed. Purchaser shall pay for recording the Deed and the Assignment, and the preparation and recording of any documents related to Purchaser's financing.
12. Environmental: Purchaser may have the property inspected at its expense by an environmental consultant, and if Purchaser is not satisfied with the results of such inspection, Purchase may terminate its Option/Contract upon written notice to Seller no later than thirty (30) days after the date of Purchaser's notice exercising its option to purchase.
Exhibit G

SQUARE FOOTAGE OF THE
ORIGINAL HEATED IMPROVEMENTS

HEATED SQ’

[To be completed for leasehold parcel prior to closing.]