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**PURCHASE OPTION
and
SHARED APPRECIATION AGREEMENT**

THIS PURCHASE OPTION AND SHARED APPRECIATION AGREEMENT (this “**Agreement**”) is made and entered into this [INSERT CLOSING DAY] day of [INSERT CLOSING MONTH], [INSERT YEAR], by and between [INSERT FIRST HOMEOWNER] and [INSERT SECOND HOMEOWNER] (“**Homeowner**” whether one person or more), [INSERT MARITAL STATUS] and [INSERT NAME OF AFFILIATE], a Minnesota nonprofit corporation, or its successors and assigns (the “**Lender**”) at [INSERT ADDRESS OF AFFILIATE].

RECITALS

WHEREAS, Lender is organized for the purpose of building, purchasing and rehabilitating affordable residential housing for sale to low- and moderate-income homebuyers and creating opportunities for persons who may otherwise be unable to purchase a residential property because of limited financial resources;

WHEREAS, Lender makes residential mortgage loans to homebuyers at market favorable rates and terms;

WHEREAS, Homeowner has purchased from Lender on the date hereof residential real property legally described in Exhibit “A” to this Agreement and located at the street address of [INSERT HOMEOWNER PROPERTY ADDRESS], [INSERT CITY, STATE AND ZIP] (the “**Property**”) and Homeowner is receiving a loan from Lender on the date hereof (the “**Loan**”) to finance Homeowner’s purchase of the Property;

WHEREAS, the Loan is evidenced by a promissory note (the “**Note**”) dated [INSERT DATE] from Homeowner payable to the order of Lender;

WHEREAS, to secure Homeowner's repayment of the Loan, Homeowner, as mortgagor, has granted and conveyed to Lender, as mortgagee, a Mortgage on the Property (the "**Mortgage**") dated [INSERT DATE];

WHEREAS, as a condition precedent to Lender selling the Property to Homeowner, Lender requires that Homeowner (i) grant to Lender an option to purchase the Property under the terms and conditions set forth in this Agreement and (ii) pay a shared appreciation fee to Lender as set forth in this Agreement upon Homeowner's sale of the Property; and

WHEREAS, Homeowner is willing to grant an option to purchase the Property to Lender and to pay a shared appreciation fee to Lender upon Homeowner's sale of the Property.

AGREEMENT

NOW, THEREFORE, in consideration of the promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Homeowner, intending to be legally bound, agree as follows:

1. Lender's Purchase Option. Homeowner grants to Lender the right to purchase the Property in accordance with the following terms and conditions during the time that any amount is owed by Homeowner on the Note (the "**Purchase Option**"):

a. Homeowner shall notify Lender of Homeowner's desire to sell, convey, mortgage, pledge, grant a security interest in, or otherwise transfer the Property or any portion thereof ("**Sale Notice**") at least thirty (30) days before: (i) listing the Property for sale; (ii) making a formal offer to sell the Property to a third party; (iii) accepting an offer from a third party seeking to purchase the Property; or (iv) applying for a loan in which any portion of the proceeds would be used to pay off the Note. The Sale Notice shall describe the portion of the Property being sold, the desired closing date and any other relevant terms (as reasonably determined by Lender). Within twenty (20) days after receiving the Sale Notice from Homeowner, Lender may elect (by giving Homeowner written notice of Lender's intent to exercise its Purchase Option) to purchase all of the Property at the Purchase Price, as determined pursuant to the formula set forth in Section 1(d) below (the "**Election**"). If Lender makes the Election, Homeowner shall sell the Property to Lender for the Purchase Price on reasonably agreeable closing terms. If Lender does not make the Election, Homeowner may sell the Property to a third party and, upon any such sale of the Property to a third party, Homeowner shall repay all sums due under the Note and any Shared Appreciation Fee owed to Lender pursuant to Section 2 below.

b. If Lender fails to exercise its Purchase Option within the time period specified in the preceding paragraph, then the Purchase Option shall automatically become null and void with regard to the portion of the Property identified in the Sale Notice. Notwithstanding the foregoing, if, for any reason, Homeowner fails to close on the sale of the Property or portion thereof to a third party within twelve (12) months of the Sale Notice, the Purchase Option shall remain in full force and effect.

c. If Lender exercises its Purchase Option, Lender shall be responsible for, and pay the cost of, having a purchase agreement drafted for the sale of the Property to Lender. Under the terms of purchase agreement, Homeowner shall convey marketable title to the Property, via a warranty deed, to Lender.

d. The purchase price (the “**Purchase Price**”) payable by Lender, upon its exercise of the Purchase Option, shall be:

- (i) an amount equal to the greater of (1) the Fair Market Value (as hereinafter defined) of the Property or (2) a bona fide third party offer in writing or (3) the aggregate amount due and owing, as of the Closing (as hereinafter defined), on the Note, the Mortgage and any other debt secured by a mortgage on this property.

For purposes of this Agreement, the term “**Fair Market Value**” shall mean the appraised value of the Property as determined by an appraiser selected by Lender within thirty (30) days after the Lender receives the Sale Notice. The cost of such appraisal shall be split equally between Lender and Homeowner.

Homeowner will pay, on or before the Closing, all special assessments levied, pending or constituting a lien against the Property as of the Closing date, plus all general real estate taxes for the Property, and any related interest thereon, that were due and payable, but not paid by Homeowner, in any calendar year prior to the year in which the Closing Occurs. General real estate taxes for the Property payable in calendar year during which the Closing occurs shall be prorated so that Homeowner and Lender will each pay taxes only for the days that each owned the Property. Closing costs shall be divided between **Lender** and Homeowner at Closing in the customary manner.

e. The closing of Lender’s purchase of the Property as contemplated by this Section (the “**Closing**”) shall occur within one hundred eighty (180) days after the Sale Notice is given to Lender, unless postponed or extended in writing by Lender and Homeowner. The Closing shall take place at a mutually acceptable time and location.

2. Appreciation Agreement. Homeowner further agrees that Lender shall be entitled to share in the appreciation in the value of the home to help reimburse Lender for the cost and effort put into the home and facilitating the Homeowner’s acquisition of the Property. As defined herein, “Appreciation” shall mean the difference between the Fair Market Value of the home at the time of the purchase and the sale price at the time of sale. Appreciation shall exclude any capital improvements made by the Homeowner at the Homeowner’s expense. Lender’s right to enforce this Appreciation Agreement extends not only to the sale of the Property but also to any refinancing of the first mortgage on the Property, a foreclosure or other traditional and non-traditional sale of the Property, including by power of sale, or any other transfer of title to the Property. The parties acknowledge that the fair market value at the time of purchase of the Property is \$[FAIR MARKET VALUE OF PROPERTY (APPRAISED VALUE)].

The amount of the Appreciation that shall be directed to Lender is the following:

[PICK ONE OF THE TWO OPTIONS AND COMPLETE FORMULA]

___ OPTION ONE: **[NUMBER]**% of the Appreciation.

OR

___ OPTION TWO: Based upon the number of months that have passed between the purchase of the Property and the Transfer or Refinance of the Property by Borrower, Lender shall be entitled to the following percentage of the Appreciation:

0 - [NUMBER] months–	[NUMBER] % of the Appreciation
[NUMBER - NUMBER] months–	[NUMBER] % of the Appreciation
[NUMBER - NUMBER] months–	[NUMBER] % of the Appreciation
[NUMBER - NUMBER] months–	[NUMBER] % of the Appreciation
[NUMBER - NUMBER] months–	[NUMBER] % of the Appreciation
[NUMBER - NUMBER] months–	[NUMBER] % of the Appreciation
[NUMBER] or more months–	[NUMBER] % of the Appreciation

3. Time of the Essence. With regard to all dates and time periods set forth or referred to in this Agreement, time is of the essence.

4. Binding Effect and Assignment. This Agreement shall be binding upon and inure to the benefit of Homeowner and Lender and their respective heirs, administrators, successors and assigns, except that Homeowner may not transfer or assign Homeowner's rights or obligations hereunder without the prior written consent of Lender.

5. Severability. If any of the provisions, terms, clauses or rights contained in this Agreement are declared illegal, unenforceable, or ineffective, the remaining provisions, terms, clauses or rights shall be severable and enforceable. However, the parties agree to negotiate in good faith substitute provisions, terms, clauses or rights that would have, to the maximum extent possible, identical effect and that would be enforceable.

6. Execution. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same Agreement. The counterparts of this Agreement may be executed and delivered by facsimile or other electronic signature by any of the parties to any other party and the receiving party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the original had been received.

7. Waiver. No waiver by Lender of any default hereunder shall operate as a waiver of any other default or of the same default on a future occasion.

8. Addresses for Notices. All notices to be given by either party to the other hereunder shall be in writing and shall be sent by first class U.S. mail, postage prepaid. All notices to a party shall be addressed to the following address, or to such other address as a party may designate from time to time in accordance with this Section:

To Homeowner:

[HOMEOWNER]

[ADDRESS]

[CITY, STATE, ZIP]

To Lender:

[AFFILIATE]

[ADDRESS]

[CITY, STATE, ZIP]

9. Governing Law and Entire Agreement. This Agreement is governed by and shall be construed in accordance with the laws of the State of Minnesota (without applying its conflicts of laws principles). This Agreement, together with the exhibit attached hereto and incorporated herein by reference, contains the entire agreement of the parties with respect to the Purchase Option and the Shared Appreciation Fee and no other written or oral agreement, statement or promise made by any party or by any employee, officer, director, member or agent of any party shall be binding. Any amendment to this Agreement shall be binding upon the parties or their assigns only if it is in writing and signed by both parties hereto.

10. Recitals Binding. Attached Exhibits and Schedules. The parties adopt the recitals at the beginning of this Agreement as fact, and the same are incorporated into this Agreement. All exhibits and schedules attached to this Agreement are intended to be and are incorporated into this Agreement by reference.

[SIGNATURE PAGES FOLLOW]

