

**Deferred Loan Agreement
for
Membership Units in Little Hogback Community Forest LLC**

1. **DECLARANT.** The declarant hereunder is _____, of _____, (the "Owner").

2. **MEMBERSHIP UNIT DESCRIPTION.** This Agreement applies to a Membership Unit in the Little Hogback Community Forest LLC, a limited liability company organized in State of Vermont for the purpose of owning and stewarding a forest parcel subject to a conservation easement. Owner owns a Membership Unit pursuant to an executed Membership Agreement attached hereto as **Schedule A**.

3. **AUTHORIZING Deferred Loan; OWNER'S ACKNOWLEDGEMENT.** This Agreement is created as a condition of a \$_____ deferred loan (the "Deferred Loan") made by **Vermont Community Forests**, a Vermont nonprofit corporation ("VCF"), to _____. The Deferred Loan is being made by VCF to Owner and Owner is applying the Deferred Loan toward the purchase price of the Membership Unit. Owner hereby acknowledges receipt of the Deferred Loan. Owner understands and acknowledges that Owner has been provided this consideration for the purpose of making available to Owner an affordable investment in forest land. In exchange for such consideration, Owner has agreed to restrict the resale of the Membership Unit in accordance with this Agreement.

4. **ORIGINAL VALUE.** Owner and VCF agree that the value of a Membership Unit, as of the date of this Agreement (the "Original Value") is \$_____.

This Original Value is based on the Purchase Option Price at the time of purchase.

5. **LOAN AND PURCHASE PERCENTAGES.** For the purposes of this Covenant, the "Loan Percentage" of the Membership Unit is determined as follows:

Deferred Loan	\$ _____
Divided by	
<u>Original Value of Membership Unit</u>	\$ _____
Equals	
Loan Percentage	\$ _____

The "Owner's Percentage" is the complement of the Loan Percentage, or 100% minus the Loan Percentage.

6. **DEFINITIONS.** As used in this Agreement, the following terms shall have the following meanings:

"Eligible Purchaser" shall mean a person or group of persons whose Adjusted Gross Income, as determined by the most recent Income Tax Return filed prior to the date of their purchase of a Membership Unit, is less than or equal to 100% of Median Income.

"Family Member" shall mean, regardless of their Household Income: (i) the spouse or Civil Union partner of Owner; (ii) a child or children of Owner.

"Purchase Option Price" of a Membership Unit shall mean: the value of the Productive Use of the land, plus the value of the Management Reserve Fund, divided by the number of Membership Units.

"Productive Use" of the land shall mean 45% of the current value of the inventory of merchantable wood products. The estimate of the inventory shall be based on the latest field sample data plus an estimate of growth since the field sample was taken. The value of the inventory shall be based on the most recent prices for products and for harvesting and management services. VCF shall provide the data used in its good faith effort to arrive at this value of the productive use.

"Median Income" shall mean median household income for Addison County as determined annually and published by the U.S. Department of Housing and Urban Development.

7. **OWNER'S RIGHTS AND RESPONSIBILITIES.** Owner shall have full rights and responsibilities assigned to a Membership Unit in the Membership Agreement.
8. **RESTRICTIONS ON SALE OR TRANSFER OF THE MEMBERSHIP UNIT.** Repayment of the loan shall be due upon sale or transfer of the Membership Unit. Any sale, transfer or other disposition of the Membership Unit shall be subject to VCF's review and purchase option rights as set forth in this Covenant and in the Operating Agreement for the Little Hogback Community Forest LLC. Prior to sale or transfer of any Membership Unit supported with a deferred loan, owner shall provide written notice of any Agreement to sell, transfer or otherwise dispose of any Membership Unit to VCF. Any purported sale, transfer or other disposition done without following the procedures set forth below or in violation of such price limitations shall be null and void.
9. **REPAYMENT AMOUNT.** The value of the loan shall be calculated as the Purchase Option Price at the time of repayment multiplied by the Loan Percentage determined in Section 5.
10. **TRANSFER TO ELIGIBLE PERSONS.** Upon receipt of the notice of an Agreement to sell or transfer a Membership Unit given by the Owner or executor or

administrator of Owner's estate, VCF shall, unless for good cause shown, consent to a transfer of the Membership Unit to a Family Member or Eligible Purchaser provided the Family Member or Eligible Purchaser shall either:

- (a) assume the deferred loan; or
- (b) repay the loan to VCF at the Purchase Option Price multiplied by the Loan Percentage.

11. OPTION TO PURCHASE; NOTICE TO OWNER. Except as provided in section 10 above, upon receipt by VCF of any notice of an Agreement to sell or transfer a Membership Unit, VCF shall have an option to purchase the Membership Unit at the Purchase Option Price multiplied by the Owner's Percentage. Within thirty (30) days after VCF's receipt of the notice, VCF shall notify Owner in writing that either:

- (a) VCF elects to purchase the Membership Unit for the Purchase Option Price multiplied by the Owner's Percentage, or
- (b) Owner is free to sell the Membership Unit in either of the following ways:
 - 1. The Membership Unit is sold to an Eligible Purchaser and the deferred loan is assumed by the Eligible Purchaser, or
 - 2. The Membership Unit is sold to a Purchaser and the Owner pays VCF an amount calculated as the greater of:
 - a. The sale price multiplied by the Loan Percentage.
 - b. The Purchase Option Price multiplied by the Loan Percentage.

12. CLOSING ON OPTION ELECTION. In the event that VCF elects to purchase the Membership Unit hereunder, the sale shall take place as soon as reasonably possible, but in any event within thirty (30) days after Notice to Owner has been given pursuant to Section 11 above.

13. RIGHT TO PURCHASE IN LIEU OF OPTION. If the provisions of the option set forth herein shall, for any reason, become unenforceable, VCF shall nevertheless have a right to purchase the Membership Unit at the Purchase Option Price. If VCF elects to purchase the Membership Unit, VCF shall provide Owner with documentation of the Purchase Option Price at the time of election. Any sale or transfer contrary to this paragraph, when applicable, shall be null and void.

14. DISSOLUTION OF THE LITTLE HOGBACK COMMUNITY FOREST LLC. Upon dissolution of the L.L.C. Owner agrees that an amount calculated as follows shall be paid to the VCF:

Distribution per Membership Unit as provided in Section 8.4 of the Operating Agreement of Little Hogback Community Forest, LLC multiplied by Loan Percentage.

18. ENFORCEMENT. This Agreement may be enforced in accordance with its terms by VCF and, upon assignment of the right of enforcement by any other entity which is an assignee. However, at any given time only one entity, which shall be the most recent assignee, shall be entitled to enforce the provisions of this Agreement.

19. NOTICES. All notices, demands, or other writings required to be given pursuant to this Agreement shall be sufficient upon posting by certified mail, return receipt requested, and addressed as follows:

Owner: _____

VCF: Vermont Community Forests
P.O. Box 254
Bristol, Vermont 05443

The foregoing addresses may be changed by giving written notice thereof in accordance with this section.

20. DURATION; BINDING EFFECT. Unless sooner terminated by reason of the terms and conditions hereof, this Agreement shall be perpetual, and shall be binding on Owner's heirs, successors and assigns.

21. MODIFICATION. This Agreement may be modified or terminated only upon the written consent of Owner and VCF.

Owner:

Signature

Date

Print Name

Witness:

Signature

Date

Print Name

VCF:

Signature

Date

Print Name