

Example Farm Lease with Option to Purchase

(All dates, dollar amounts, specific terms are subject to negotiation and serve here only as examples.)

By and Between

XXXX

and

YYYY

This Lease with Option to Purchase is made by and between Landlord, XXXX, whose mailing address is _____, and Tenant, XXXX, whose mailing address is _____.

1. Premises: Landlord shall rent to Tenant the following described premises:

Approximately 120 acres of land, with any buildings thereon, located in _____, ABC County, Maine, as described in a Warranty Deed recorded at the ABC County Registry of Deeds in Book XXX, Page XX, hereby incorporated into this Agreement by reference and described by map in Attachment A.

EXCLUDED from the Leased rights hereunder are:

- a. Any rights to the timber or forestry products in the forestland, except as may be separately agreed to in writing by the parties.
 - b. The residence and the immediately surrounding parcel as described by map in attachment B. Said residence and parcel are, however, included in the option to purchase, described in section 12 of this lease.
2. Term: The term of this agreement shall be for a five year period beginning October 1, 2015 until September 30, 2020 or upon sale of the Premises to Tenant pursuant to the Option set forth in Paragraph 12, whichever occurs first.
 3. Termination and Default:
 - a. In the event Tenant elects not to exercise the Option set forth in Paragraph 12 hereunder, then upon termination of this Agreement the Tenant will vacate the Premises and remove all personal property and equipment by 12:00 pm (noon) on the date of termination, and Tenant hereby waives any further notice to vacate.
 - b. Tenant may terminate early only in the event of default by Landlord.
 - c. Landlord may terminate early only in the event of default by Tenant.

- d. If Tenant shall fail to carry out substantially any obligation of this Lease, Landlord shall notify Tenant of the alleged breach, requiring Tenant to remedy the breach on or before a date at least thirty (30) days after the giving of such notice. If Tenant fails to comply with such notice Landlord may declare this tenancy terminated and institute action to expel Tenant from the premises without limiting the liability of Tenant for the rent due or to become due under this Lease.
 - e. Events of default by Tenant shall include, without limitation, the failure to pay the rent when due, comply with the Restrictions on and Provisions for Use of Premises as described in section 6, or maintain the insurance coverage required under section 8.
 - f. Events of default by Landlord shall include, without limitation, failure to make the Premises fully available to Tenant for the establishment and development of an agricultural enterprise.
4. Rent:
- a. Rent shall be a minimum of One Thousand Two Hundred and Fifty Dollars (\$1250.00) per month. *[Dollar amount is an example only.]*
 - b. Monthly rent payments shall be made in advance, on or by the first day of each month.
 - c. Twenty percent of rent payments shall be applied to the down payment when Tenant exercises the option to purchase as described in section 12, unless Tenant terminates the lease early or defaults on the lease, in which case no portion of the rent will be returned to the Tenant. *[The % of rent applied to the down payment is an example only. NOTE: both parties must treat amounts applied toward down payment according to tax regulations. Check with your tax accountant.]*
5. Penalties/Fees: Tenant shall pay to the Landlord a late payment penalty of Fifty Dollars whenever the rent is ten days or more overdue. Tenant shall pay a Twenty-five Dollar service fee as additional rent for any check returned to the Landlord by the Tenants' bank for insufficient funds or any other reason. Failure to pay within 15 days of rent due date is a default under this agreement.
6. Restrictions on and Provisions for Use of Premises: *[Examples only]*
- a. Tenant shall use or permit the use of the Premises only for agricultural purposes or uses ancillary and secondary to such purposes.
 - i. Tenant shall provide to Landlord, by April 1 of each year, an informal farm report, which shall include a description of agricultural activities of the preceding year and any improvements undertaken on the Premises, as well as an outline of anticipated activities and improvements for the ensuing year.
 - ii. Upon prior written approval of Landlord, Tenant may erect temporary structures without permanent foundations, for agricultural purposes only, such as fencing or shelter for animals or growing of plants. Tenant may seek approval for such structures as part of the farm report described in sub-

paragraph 6.a.i above. Tenant may, without prior approval, temporarily park a camper vehicle on the Premises during spring birth time or other critical animal husbandry times.

- iii. Tenant may undertake repairs of the Premises, including the barn, access roads, sheds, etc. upon prior written approval of Landlord. All such repairs shall be at Tenant's expense and shall not be reimbursable unless otherwise specifically agreed to in writing. Tenant may seek approval for such repairs as part of the farm report described in sub-paragraph 6.a.i above. Notwithstanding the foregoing, minor repairs shall not require prior written approval if Tenant does not seek reimbursement.
 - b. Tenant shall cultivate and use the Premises in an ecologically sound manner, maintaining the purity of water and air resources, the productivity of the soil, and the integrity of the landscape, and disposing of any wastes in a safe and sanitary manner. Removal or stripping of soil is strictly prohibited.
 - c. As noted in paragraph 1 above, NO rights to the timber or forestry products in the forestland of the Premises are included in this Lease, except as may be separately agreed to in writing by the parties.
7. Indemnification. The Tenant shall protect the Premises from damage, waste or trespass and shall hold the Landlord harmless from any liability or loss arising out of the activities of Tenant or their guests or invitees, unless such loss or liability was caused by the negligence of the Landlord or its agents.
 8. Insurance: Tenant shall maintain liability insurance on the Premises in the amount of \$1,000,000 (one million) per event and \$2,000,000 (two million) aggregate, which insurance shall name Landlord as Additional Insured. *Amounts negotiable.*
 9. No Assignment: Tenant may not assign this Agreement.
 10. Subletting: Tenant may not sublet the Premises.
 11. Obligation of Landlord to Notify Tenant: Landlord hereby agrees to notify Tenant within 5 business days in the event Landlord shall pledge or otherwise use the Premises as collateral for any loan or other indebtedness.
 12. Option to Purchase: In consideration of Tenant's agreement to lease the Premises, Landlord hereby grants an Option to Purchase the Premises under the following terms and conditions: *All specific dates, prices, etc. are examples only.*
 - a. Establishment of Purchase Price: The purchase price shall be established as follows:

- i. Base price \$310,000 (three hundred ten thousand) as of August 12, 2015
 - ii. Minus all earnest money payments.
 - iii. Minus all rent payments.

- b. Exercise of Option: Tenant may exercise this option by written notice delivered to Landlord on or by July 31, 2016, which notice shall include an earnest money payment of at least \$31,000. Upon Tenant's exercise of Option, the parties shall enter into a Purchase and Sale agreement, which shall provide, in part:
 - i. Closing, shall be held on or before November 1, 2016.
 - ii. Buyer (Tenant) shall pay the entire transfer tax.
 - iii. Property taxes, but not fuel or utilities, shall be prorated as of closing date.
 - iv. Seller shall convey the property by XXX (*Quit claim, Warranty, etc.*) Deed , describing the property by valid legal description, delivered at closing free and clear of all encumbrances except any existing conservation easement, building and zoning restrictions of record, any other easements and restrictive covenants of record, and usual public utilities servicing the property.
 - v. Tenant may continue to make additional payments of earnest money until the term of this lease expires, which, like the initial earnest money, would be retained by Seller (Landlord) as liquidated damages if Buyer (Tenant) defaults on the Purchase and Sale Agreement.
 - vi. The terms of this Lease shall continue until closing on the Purchase and Sale. Any default by Tenant under the terms of this Lease shall be deemed also a default under the Purchase and Sale agreement.
 - vii. In the event of death or disability of Buyer (Tenant) between the date of signing the Purchase and Sale agreement and the closing on the sale of the Property, the sale will not go on to completion and Seller (Landlord) shall return 50% of the earnest money to Buyer or Buyer's estate. Landlord will not be responsible for the return of this money until the eventual sale of the property to another buyer.
 - viii. In the event of death or incompetence of Seller between the date of signing the Purchase and Sale agreement and the closing on the sale of the property, the sale shall go on to completion.

13. Miscellaneous:

- a. This Agreement shall be construed under the laws of the State of Maine.
- b. If any provision of this lease or portion of such provision or the application thereof to any person or circumstance is held invalid, the remainder of the lease (or the remainder of such provision) and the application thereof to other persons or circumstances will not be affected thereby.
- c. It is understood and agreed that all understandings and agreements between the parties hereto are merged into this contract, which alone fully and completely expresses their agreement, and that the same is entered into after full investigation, neither party relying upon any statements or representations not embodied in this contract, made by the other. This agreement may not be changed or terminated orally.

- d. All the rights, obligations and liabilities, given to or imposed upon the parties hereto, shall extend to and bind the respective personal representatives, heirs, successors and assigns of such parties.
- e. The parties have simultaneously executed a Memorandum of Lease, which Tenant may cause to be recorded at the XXX County Registry of Deeds.

14. Attachments

Attachment A: Map of leasehold

Attachment B: Map of residential parcel, with house and outbuilding.

Signature page with dates and notarized if suggested by legal counsel.