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## **COMMERCIAL RENT TO OWN AGREEMENT**

*State of Alabama*

### **BACKGROUND**

A. This Commercial Rent to Own Agreement (hereinafter referred to as the "Lease") is entered into and made effective as of \_\_\_\_\_ (hereinafter referred to as the "Effective Date") by and between the Lessor (hereinafter referred to as the "Landlord"), of the following address:

\_\_\_\_\_  
of  
\_\_\_\_\_

and the following Lessee (hereinafter referred to as the "Tenant"), of the following address:

\_\_\_\_\_  
of  
\_\_\_\_\_

B. For purposes of convenience, the following party (the "Authorized Party") is also authorized to manage the Property and act on Landlord's behalf:

\_\_\_\_\_  
\_\_\_\_\_

Such Authorized Party may be considered to act in place of the Landlord for the purposes of this Lease, where required or permitted.

C. *WHEREAS*, Landlord and Tenant may be collectively referred to as the "Parties."

D. *WHEREAS*, Landlord intends to rent the herein described property to the Tenant, which they shall use for commercial purposes, with the option of the Tenant purchasing said property at the end of their lease term.

*NOW THEREFORE*, in consideration of the obligations and covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties do contract and agree as follows:

## **I. PREMISES.**

1. Landlord, in consideration of the lease payments described herein, leases to Tenant the property (hereinafter referred to as the "Premises") which is described as follows:

\_\_\_\_\_

2. The Premises is located at the following address:

\_\_\_\_\_

3. The space described equals 2 SF (two square feet).

## **II. LEASE TERM.**

4. This Lease shall commence on \_\_\_\_\_ at 12:01 AM and shall continue until its natural termination under this part on the date of \_\_\_\_\_ at 11:59 PM.

5. After the date of termination, if Tenant does not exercise the option to purchase, this Lease shall automatically renew and shall continue for the same term length until the Tenant exercises the purchase option or either of the Parties undertakes cancellation of this Lease in writing.

6. At the expiration of this Agreement, if Tenant does not exercise the purchase option, Tenant shall be responsible for providing a forwarding address to Landlord to receive any funds owed or other notices.

7. Tenant shall notify Landlord in advance of any anticipated extended absence from the

Premises.

### III. EARLY TERMINATION.

8. The Tenant shall have the option to terminate the Lease prior to the natural end of the Lease term.

9. If Tenant wishes to terminate the Lease prior to the natural end of the Lease term, they shall pay a penalty of **\$2 (two US dollars)**.

### IV. RENT PAYMENTS.

10. Tenant shall pay to Landlord Monthly installments of **\$2 (two US dollars)** which equates to \$ 1.00 per Square Foot (\$/SF).

11. Rent shall increase 100% (one hundred percent) on an annual basis.

12. The rent shall be payable in advance on the 1st (first) of the month.

13. Lease payments shall be made to the Landlord at the following address:

\_\_\_\_\_

The payment address may be changed at the discretion of the Landlord and the Tenant will be informed of such change by written notice.

14. The first full rent payment under this Lease shall be due on \_\_\_\_\_. No holidays, special events, or weekends shall excuse Tenant's obligation to pay timely rent as described by this Lease agreement.

15. Tenant shall be permitted a grace period of up to 5 (five) days to pay any Rent due. If Tenant does not pay Rent within the grace period, Tenant may be subject to a late charge.

16. For any payment that is not paid when due, the Tenant shall, as allowed under applicable law, pay a late fee of **\$2 (two US dollars)**.

### V. SECURITY DEPOSIT.

17. At the time of the signing of this Lease, Tenant shall pay to Landlord, in trust, a

security deposit of **\$2 (two US dollars)** to be held for the reasonable cleaning or repair of damages to the Premises upon the expiration or termination of this Lease if Tenant does not exercise purchase option or in case of default by Tenant, as provided by law.

18. If they do not exercise the purchase option, Tenant hereby agrees to be liable to Landlord at the expiration or termination of this Lease for all damages to the Property, except ordinary wear and tear. Landlord may hold the security deposit in a non-interest-bearing account. In such case, no interest is due to Tenant and Tenant may not use the security deposit to cover Rent. Landlord may otherwise elect to hold security deposit in an interest-bearing account and allow Tenant to receive certain interest funds, if applicable. Tenant shall still not be permitted to use the security deposit to cover any Rent.

19. In case of sale or assignation of the Lease by Landlord, Tenant's security deposit shall be transferred to the new owner or assignee and Landlord shall be released from liability to Tenant for return of the security deposit.

20. Deductions from the security deposit may be made for the following reasons (this list constitutes examples only and is not intended to be exhaustive): unpaid rent or utilities, late fees, cleaning, key replacement, and/or removing abandoned property.

21. The security deposit shall be held at the following financial institution:

\_\_\_\_\_

## **VI. OPTION CONSIDERATION.**

22. Nonrefundable option consideration in the amount of **\$2 (two US dollars)** paid by the Tenant as consideration for this Rent to Own Agreement shall be credited to the purchase price at closing if the Tenant timely exercises the option to purchase.

23. If the Tenant does not exercise the option to purchase, the Tenant shall forfeit the non-refundable option consideration.

## **VII. USE OF PREMISES.**

24. Tenant may use the Premises only for the following purpose:

\_\_\_\_\_

25. The Premises may be used for additional purposes only with prior express written consent from the Landlord, which shall not be unreasonably withheld.

### **VIII. OPTION TO PURCHASE.**

26. Tenant, upon satisfactory performance of this Lease, shall have the option to purchase the real property described herein for a purchase price of **\$2 (two US dollars)**, provided that Tenant timely executes the option to purchase and is not in default of the Agreement. Thereafter, each of the Parties shall promptly execute any and all further instructions or other documents, including a Sale Agreement, which may be reasonably required for purchase of the real property.

27. The Landlord shall credit towards the purchase price at closing Rent payments that the Tenant has timely made in the following manner:

\_\_\_\_\_

28. Landlord agrees to deliver, and Tenant agrees to accept, title to the Premises subject only to a lien for taxes and assessments levied against the Property; any covenants, conditions, restrictions, easements, right, right-of-way record; and such other exceptions as Landlord and Tenant approve in writing. Landlord shall deliver to Tenant a preliminary title report within thirty (30) days after Tenant's exercise of the option.

29. To exercise the Option to Purchase, the Tenant must deliver to the Landlord written notice of Tenant's intent to purchase, not less than 2 days prior to the expiration of the Lease Term. The written notice must specify a valid closing which must occur before the original expiration date of the Lease Agreement.

30. The Option to Purchase is exclusive and non-assignable and exists solely for the benefit of the named Parties above. Should Tenant attempt to assign, convey, delegate, or transfer this option without the Landlord's express written permission, any such attempt shall be deemed null and void.

31. Tenant agrees that closing costs in their entirety, including any points, fees, and other charges required by the third-party lender, shall be the sole responsibility of Tenant. The only expense related to closing costs apportioned to Landlord shall be the pro-rated share of the property taxes due at the time of closing, for which Landlord is solely responsible.

### **IX. FINANCING DISCLAIMER.**

32. THE PARTIES ACKNOWLEDGE THAT IT IS IMPOSSIBLE TO PREDICT THE AVAILABILITY OF OBTAINING FINANCING TOWARDS THE PURCHASE OF THIS PROPERTY.

33. OBTAINING FINANCING SHALL NOT BE HELD AS A CONDITION OF PERFORMANCE OF THIS OPTION TO PURCHASE AGREEMENT.

34. PARTIES FURTHER AGREE THAT THIS OPTION TO PURCHASE AGREEMENT IS NOT ENTERED INTO IN RELIANCE UPON ANY REPRESENTATION OR WARRANTY MADE BY EITHER PARTY.

#### **X. EXCLUSIVITY.**

35. Landlord shall not directly or indirectly, through any agent, employee, or other representative, lease any space within the property (except the Premises described by this Lease), or permit the use or occupancy of any such space whose primary business activity is in, or may result in, competition with the Tenant's primary business activity without an express agreement in writing signed by both Parties.

36. The Landlord hereby gives the Tenant the exclusive right to conduct their primary business activity on the premises.

#### **XI. FURNISHINGS.**

37. The following furnishings will be provided by the Landlord to the Tenant:

\_\_\_\_\_

38. If Tenant does not exercise the purchase option, they shall return all such items at the end of the Lease term in as good condition as was received at the start of the Lease, excepting normal wear and tear that might result from normal use of the furnishings in their expected course.

#### **XII. PARKING.**

39. Tenant shall be entitled to use 2 parking spaces for the parking of the Tenant's patrons' motor vehicles.

### **XIII. STORAGE.**

40. Tenant shall be permitted to store items of personal property at the Premises during the term of this Lease.

41. Landlord shall not be held liable for any loss of or damage to these stored items.

### **XIV. PROPERTY INSURANCE.**

42. Landlord and Tenant shall each maintain appropriate insurance for their respective interests in the Premises and property located on the Premises.

43. Tenant's insurance shall be an amount not less than **\$2 (two US dollars)**.

44. Landlord shall be named as an additional insured party on any and all such policies.

45. Tenant shall deliver evidence to Landlord as proof of adequate insurance in force issued by companies reasonably satisfactory to Landlord.

46. Landlord shall receive advance written notice from the insurer prior to any termination of such policies.

47. Tenant shall also maintain any other insurance which Landlord reasonably requires for the protection of Landlord's interest in the Premises.

48. Tenant is responsible for maintaining property insurance on its own property.

### **XV. LIABILITY INSURANCE.**

49. Tenant shall maintain liability insurance on the Premises in an amount not less than **\$2 (two US dollars)**.

50. Tenant shall deliver evidence to Landlord as proof that sufficient insurance is in force and issued by companies reasonably satisfactory to Landlord.

51. Landlord shall receive advance written notice from the insurer prior to any termination of such insurance policies during the duration of the Lease.

### **XVI. MAINTENANCE.**

52. Landlord shall be responsible for maintaining the Premises in good repair at all times during the term of this lease.

#### **XVII. UTILITIES.**

53. Landlord shall be responsible for paying for and maintaining provision of all utilities under this Lease.

#### **XVIII. SUBORDINATION OF LEASE.**

54. This Lease is subordinate to any mortgage that now exists, or may be given later by Landlord, with respect to the Property.

#### **XIX. TAXES.**

55. Taxes related to the Premises or its use shall be allocated in the following way:

a. Real Estate Taxes - Landlord shall pay all real estate taxes and assessments for the Premises.

b. Personal Taxes - Landlord shall pay all personal taxes and any other charges which may be levied against the Premises and which are attributable to Tenant's use of the Premises, along with all sales and/or use taxes (if any) that may be due in connection with lease payments.

#### **XX. PROPERTY CONDITIONS.**

56. Tenant hereby stipulates that Tenant has examined the Property prior to signing this Lease or has knowingly waived such inspection.

57. Tenant affirms that Tenant has not relied on any representations made by Landlord regarding the condition of the Property. Tenant takes the Property as is, with no representations from Landlord beyond those contained herein or required by applicable Alabama law, including no express or implied warranties.

58. Tenant agrees not to damage the Property and to further be responsible for any damages sustained to the Property as a result of any activity on the part of Tenant's invitees, licensees, and/or guests. Tenant agrees that if any such damage occurs to the



Property, Tenant is required to pay for the damages.

59 If at the end of the Lease term, Tenant does not exercise their option to purchase, Tenant agrees to return the Property in the same condition as when Tenant took possession, with the exception of normal wear-and-tear.

60. Tenant must notify Landlord within 24 hours of any condition requiring maintenance.

## **XXI.**

### **XXII. MECHANICS LIENS.**

61. Neither Tenant nor anyone claiming through the Tenant shall have the right to file mechanics liens or any other kind of lien on the Property and the filing of this Lease constitutes notice that such liens are invalid.

62. Tenant agrees to give actual advance notice to any contractors, subcontractors, or suppliers of goods, labor, or services that such liens will not be valid and will take whatever additional steps that are necessary in order to keep the Property free of all liens resulting from construction done by or for the Tenant.

### **XXIII. DANGEROUS AND HAZARDOUS MATERIALS.**

63. Tenant shall not keep or have on Premises any article or thing of a dangerous, flammable, or explosive nature that might substantially and unreasonably increase the danger of fire or explosion on the Premises, or that might be considered hazardous by a responsible insurance company, unless the prior written consent of Landlord is obtained and proof of adequate insurance protection is provided by Tenant to Landlord.

### **XXIV. DESTRUCTION OR CONDEMNATION OF PREMISES.**

64. If the Premises are partially destroyed by fire or other casualty to the extent that such resulting damage prevents the Tenant's continued use of the Premises in a normal manner as intended, and if the damage is reasonably repairable within sixty days after the occurrence of the incident which caused the damage, and if the cost of repair is less than 50% of the value of the property itself, Landlord shall repair the Premises and a

reasonable and just proportion of the lease payments shall abate during the period of the repair according to the extent to which the Premises have remained unusable. However, if the damage is not repairable within sixty days, or if the cost of repairs is greater than 50% of the value of the property, or if Landlord is prevented from repairing the damage by forces beyond Landlord's control given their reasonable level of effort, or if the property is condemned, this Lease and its purchase option shall terminate upon twenty days notice of such event or condition by either Party and any unearned rent paid in advance by the Tenant shall be apportioned and refunded to them.

65. Tenant shall give Landlord timely notice of any damage to the Premises.

## **XXV. TENANT HOLDOVER.**

66. If Tenant does not provide timely written notice to Landlord of Tenant's intent to surrender or Tenant does not vacate the Property at the end of the Lease term or otherwise remains in possession of the Property without exercising the option to purchase, a new month-to-month tenancy will be created which will be subject to all the terms and conditions of this Lease.

67. Such month-to-month tenancy will remain valid until such time as Landlord and Tenant, in writing, extend or renew the Lease for a specific term.

68. If Tenant becomes a month-to-month Tenant, Tenant must give 30 (thirty) days written notice to Landlord of Tenant's intent to surrender the Property. Landlord may terminate such a month-to-month tenancy at any time by serving Tenant written notice of termination or by other means permitted by applicable Alabama law. Tenant shall vacate the Property at Landlord's demand.

## **XXVI. DEFAULTS.**

69. Tenant shall be in default of this Lease if Tenant fails to fulfill any lease obligation or term by which the Tenant is bound in this Lease.

70. Subject to any governing law that states otherwise, if Tenant fails to cure any financial obligation within 30 days, or any other obligation within 60 days after written notice of such default is provided by Landlord to Tenant, Landlord may take possession of the Premises without further notice (to the extent permitted by law), and without foreclosing Landlord's ability to recoup damages. Alternatively, Landlord may elect to cure any default themselves and the cost of such action shall be added to Tenant's financial obligations under this Lease.

71. Tenant shall pay all costs, damages, and expenses (including reasonable attorney fees and expenses) suffered by Landlord as a direct result of Tenant's default. All sums of money or charges Tenant is required to pay under this Lease shall be additional rent, whether or not such sums or charges are designated as "additional rent."

72. The rights provided by this section are cumulative in nature and are in addition to any other rights afforded by law.

#### **XXVII. EMINENT DOMAIN.**

73. The lease automatically becomes void if the Premises are taken by eminent domain. During the process, the Tenant will have the right to claim:

- a. Value of the Lease Agreement
- b. Loss of Business Revenue
- c. Moving and Relocation Expenses

#### **XXVIII. CUMULATIVE RIGHTS.**

74. The rights of the Parties under this Lease are cumulative and shall not be construed as exclusive unless otherwise required by state law.

#### **XXIX. LANDLORD ACCESS TO PREMISES.**

75. Subject to Tenant's consent (which shall not be unreasonably withheld), Landlord shall have the right to enter the Premises to make inspections, provide necessary services, or show the unit to prospective workers. However, Landlord does not assume any liability for the care or supervision of the Premises.

76. As provided by law, in case of an emergency, Landlord may enter the Premises without Tenant's prior consent.

77. If and when Tenant informs Landlord that they will not be exercising the purchase option, during the last three months of this Lease, or any extended period of this Lease, Landlord shall be allowed access to the Premises to display "To Let" signs and show the Premises to prospective future tenants.

### **XXX. INDEMNITY REGARDING USE OF PREMISES.**

78. To the extent allowed by law, Tenant agrees to indemnify, hold harmless, and defend Landlord from and against any and all losses, claims, liabilities, and expenses, including reasonable attorney's fees, if any, for which Landlord may suffer or incur in connection with Tenant's possession, use, or misuse of the Premises, except Landlord's own act or negligence.

### **XXXI. COMPLIANCE WITH REGULATIONS.**

79. Tenant shall promptly and dutifully comply with all laws, ordinances, requirements, and regulations of the federal, state, county, municipal, and other authorities, and the fire insurance underwriters. However, Tenant shall not by this provision be required to make alterations to the exterior or structure of the building.

### **XXXII. AMERICANS WITH DISABILITIES ACT COMPLIANCE.**

80. As dictated by the Americans with Disabilities Act (ADA), all businesses that are open to the public or employ fifteen or more people require that the premises be accessible to individuals with disabilities. In the event that the premises must be altered for ADA compliance, the cost of improvements, alterations, and/or modifications necessary for compliance with the ADA shall be the responsibility of Landlord.

### **XXXIII. SUBLETTING AND ASSIGNMENTS.**

81. Tenant may not assign or sublease any interest in the Premises, nor effect a change in the majority ownership of the Tenant (from the ownership existing at the inception of this lease), nor assign, mortgage, or pledge this Lease, without the prior express written consent of the Landlord, which shall not be unreasonably withheld.

### **XXXIV. COUNTERPARTS.**

82. This Lease may be executed in counterparts, all of which shall constitute a single agreement. If the dates set forth at the end of this document are different, this Lease is to be considered effective as of the date that both Parties have signed the agreement, which may be the later date.

**XXXV. ENTIRE AGREEMENT.**

83. This Agreement contains the entire agreement of the Parties, and there are no other promises or conditions in any other agreement, whether oral or written, concerning the subject matter of this Agreement.

84. This Agreement supersedes any prior written or oral agreements between the Parties.

**XXXVI. HEIRS AND ASSIGNS.**

85. Tenant may not transfer or assign this Lease or any portion of this Lease to a third party. Notwithstanding the foregoing, all covenants of this Lease shall succeed to and be binding upon any heirs, executors, administrators, successors, and assigns of the parties.

**XXXVII. SEVERABILITY.**

86. If any provision of this Agreement will be held to be invalid or unenforceable for any reason, the remaining provisions will continue to be valid and enforceable.

87. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision will be deemed to be written, construed, and enforced as so limited.

**XXXVIII. AMENDMENT.**

88. This Agreement may be modified or amended in writing, if the writing is signed by the Party obligated under the amendment.

**XXXIX. GOVERNING LAW.**

89. This Agreement shall be construed in accordance with the laws of the State of Alabama.

**XL. NOTICE.**

90. Any notice or communication required or permitted under this Agreement shall be sufficiently given if delivered in person or by certified mail, return receipt requested, to the address set forth in the opening paragraph of this Agreement or to such other address as one Party may have furnished to the other in writing.

**XLII. WAIVER OF CONTRACTUAL RIGHTS.**

91. The failure of either Party to enforce any provision of this Agreement shall not be construed as a waiver or limitation of that Party's right to subsequently enforce and compel strict compliance with every provision of this Agreement.

**XLIII. BINDING.**

92. The provisions of this Lease shall be binding upon and inure to the benefit of both parties and their respective legal representatives, successors, and assigns.

IN WITNESS WHEREOF, the Parties execute the Agreement as follows:

***EXECUTION:***

\_\_\_\_\_  
\_\_\_\_\_, Representative of \_\_\_\_\_, *Landlord*

\_\_\_\_\_  
Date

\_\_\_\_\_  
\_\_\_\_\_, Representative of \_\_\_\_\_, *Tenant*

\_\_\_\_\_  
Date