

EQUITY SHARE AGREEMENT MODELS

Many churches in their search for a new pastor or an additional staff person must face the potentially challenging issue of the cost impact of housing. These four Models are actual documents and policies that have been successfully used by churches. Please use them as possible starting points to craft your own document. All such Agreements need to be reviewed by competent local legal and financial counsel.

Equity Share Agreement – Model #1

Keep in mind that this Agreement is between two individuals, who are relatives, and was done with the idea of a profit for both. The other agreement is written between the pastor and the church (even though individuals put up the money) and it is written so that the pastor would eventually have the opportunity to buy out the church without the church realizing any profit.

I hope this information is of some help to others, I would add that after filing the agreement in Escrow, both of us met with a lawyer's representative (also a family member) and drew up new wills to insure that our heirs would become part of the agreement without adding a great burden on the survivors.

NOTE: Actual figures and percentages have been left out. These obviously would be adjusted to a particular situation.

RECORDING REQUEST BY:

And when recorded mail to:

EQUITY SHARE AGREEMENT

THIS AGREEMENT (the "Agreement" herein) is made by and between the following parties:

_____ and _____
(Name) (Name)

_____ and _____
(Relationship, e.g. husband and wife) (Relationship)
(Herein collectively referred to as the "plural name").

RECITALS

A. The parties shall purchase for investment a parcel of residential property with a home located thereon. The legal description of said property is as follows:

The property is commonly known as:

The property is to be purchased for \$_____ and \$_____ will be paid as a down payment. Of that down payment, \$_____ will be paid by the (name) and \$_____ will be paid by the (name). The balance is being financed through (name of institution) and the loan terms are as follows:

AMOUNT FINANCED \$_____

RATE OF INTEREST _____

INTEREST CAP (if variable) _____

OTHER TERMS. Both parties will share Escrow expenses equally.

The subject real property shall hereinafter be referred to as "the house."

B. The parties desire that the (name) reside in the house on the terms set forth herein.

C. Record title to the house shall be vested as follows:

(As between the (name) and the (name) Tenancy in Partnership. As between the (name) Community Property).

AGREEMENT

IN CONSIDERATION OF THE MUTUAL COVENANTS, PROMISES AND CONDITIONS SET FORTH HEREIN, THE PARTIES HERETO HAVE AGREED AS FOLLOWS:

1. FORMATION OF EQUITY-SHARING VENTURE. The parties do hereby form an Equity-Sharing Venture with respect to the above-mentioned property.
2. CO-OWNERS. The parties have been and hereto shall be co-owners of the property with the duties and powers herein defined.
3. TERMS. The terms of this agreement shall continue as long as (name) and/or (name) reside in the house as their principal place of residence and subject to provisions of Section #6 of this Agreement.
4. INVESTMENT AMOUNTS.

The parties have contributed to the capital of this equity-sharing venture an initial amount of cash in the following amounts:

PARTIES NAME	CONTRIBUTION AMOUNT	PERCENT OF TOTAL
_____	_____	_____
_____	_____	_____

The "PERCENT OF TOTAL" above, corresponds to the "Percentage of Party's Share of the Initial Equity Investment" as used in Section #8 (Paragraph 2).

This constitutes the entire initial capital of this equity-sharing venture. The entire sum has been expended as a down payment on the house. Escrow costs will be separate and will be shared equally by both parties.

Additional Capital shall, from time to time, be contributed to the venture in order to improve the property when agreed upon by both parties.

5. LOANS BY PARTIES. If the parties determine that it is necessary for purposes of obtaining the objectives of this agreement, any party may at any time lend additional funds to the venture on an unsecured promissory note or notes which shall bear such legal interest and be payable on such terms as the parties and the lender may mutually determine.
6. OCCUPANCY BY (NAME). In order to improve, protect and maintain the house pending resale, the (name) family shall reside in the house.

The (name) shall provide maintenance, repairs and pay utilities.
Interest and taxes shall be divided as follows:

(name)..... %
(name)..... %

Both parties shall be entitled to deduct their percentages for taxes.

7. DISTRIBUTION OF PROCEEDS ON SALE OF HOUSE.

To creditors of the venture:

To all parties with respect to loans, if any, to the venture:

To all of the parties in respect of their capital contributions as determined pursuant to the provisions of this agreement:

To all partners with respect to profit on the sale of the house.

8. DIVISION OF PROCEEDS OF SALE.

INTENTION. It is the intention of the parties hereto that they both participate in the appreciation of the value of the house which arises from an escalation of property value due to inflation and Major improvements which have been undertaken by both parties.

If the value of the house depreciates, that share of each party shall be that parties initial capital contribution less the amount of depreciation to be absorbed according to percentage of ownership.

For resale, the property shall be appraised by three different realtors and be placed on the market at the average of all three appraisals. The final sale price shall be in agreement by both parties.

9. ACTIONS OF EACH PARTY. No party shall do any act detrimental to the best interests of the venture or which would make it impossible to carry on the ordinary business of the venture.
10. ASSIGNMENT OF PARTNERSHIP INTEREST. Neither party shall have the right to assign such party's interest in the venture without the express written agreement of the other party.
11. DEATH OF (NAME) OR (NAME). It is understood by both parties that this agreement was entered into to assist the (name) to purchase a place to live and the house is understood to be their home. Also, that the (name) will profit at the sale of the house on an Equity-Sharing basis. Therefore, both parties agree that should one or both (name) precede the (name) in death, the (name) executor will work with (name) in determining market value and division of proceeds as laid out in this agreement (see Section #8).
12. PURCHASE BY ONE OF THE PARTIES. By mutual agreement, the house may be refinanced and either party may, upon agreement, buy out the other party at an agreed-upon price.
13. ARBITRATION OF DISPUTES AMONG PARTIES. In the event any controversy or claim arising out of this agreement cannot be settled by the parties or their legal representatives, such controversy or claim shall be settled by arbitration, in accordance with the then current rules of the American Arbitration Association, and judgment upon the award may be entered in any court having jurisdiction thereof.
14. LAW GOVERNING INTERPRETATION. The interpretation of this Agreement and the rights, duties and liabilities of the parties hereunder shall be governed by the laws of the State of California.
15. EXECUTION. This Agreement or any amendment thereto, may be executed in counterparts and shall become effective as though all parties had signed the original or a counterpart in the space provided for such person's signature.
16. COVENANT OF FURTHER ASSURANCE. Each of the parties hereto, hereby agrees to make, execute and deliver any and all documents and papers necessary or property to carry out the spirit and intent of this Agreement.

17. **BINDING UPON HEIRS AND SUCCESSORS IN INTEREST.** This Agreement shall inure to the benefit of, and be binding upon, the parties hereto, their heirs, administrators, executors, assigns and successors in interest.
18. **CONSTRUCTION.** The headings of the paragraphs of this Agreement are for convenience in reference only, and does not form a part hereof and in no way modify, interpret or construe the meaning of the parties. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, singular or plural as the identity of the person or persons may require.
19. **AMENDMENTS.** This Agreement may be amended at any time with the consent of all of the parties.
20. **NOTICES.** Any and all notices or demands required by this Agreement, by or from any party hereto, shall be in writing. They shall be served either personally or by mail. If served by mail, service shall be deemed to have been made 48 hours (if mailed in a state different from that of the addressee) after deposit thereof in the United States mail, postage prepaid, addressed to the party to whom such notice or demand is to be given, as hereinafter provided. Issuance of a registry receipt therefore shall be conclusive evidence of the date of deposit. Notices or demands may be given to each of the parties hereto at the address set forth below, and said party's name on the signature page hereof. Any change in the address for service of any party shall be by written notice serviced as aforesaid.
21. **MISCELLANEOUS.** Time is of the essence in this Agreement. This Agreement is the full, entire and only agreement existing between the parties hereto regarding the subject matter hereof and there are no other representations, covenants, warranties, or agreements between any of the parties hereto not herein contained and set forth in full. All prior agreements, if any, regarding the subject matter hereof, are hereby revoked and cancelled. The Agreement set forth herein shall not be changed orally, but only by an agreement, in writing, executed by the party against whom enforcement of any change, waiver, modification or discharge is sought.

In the event that it becomes necessary to commence any proceedings or actions to enforce the provisions hereof, the court or body before whom the same shall be heard or tried, may award to the prevailing party all costs and expenses thereof, including, but not limited to, reasonable attorneys' fees, court costs and all other expenses in connection therewith. The failure of any party, at any time, to require performance by any other party or parties of any provision hereof shall in no way affect its right thereafter to enforce the same, nor shall a waiver by any party of any breach of any provision hereof be taken or held to be a waiver of any succeeding breach of such provision, or s a waiver of said provision itself.

Executed on _____, at _____, California.

Name

Name

Address

Name

Name

Address

EQUITY SHARE AGREEMENT – MODEL #2

The following arrangement worked well for several pastors/associates in a Church in the Silicon Valley/San Francisco Bay Area of Northern California.

“(NAME OF CHURCH)” HOME PURCHASE ASSISTANCE POLICY

I. Introduction

A. Purpose.

The purpose of this policy is to provide a program to assist eligible staff members in the purchase of housing as an additional benefit of their employment by the Church.

B. Responsibility for Administration.

This program shall be administered by the Board of Deacons of the Church and by such person or persons as they shall, from time to time, designate. All actions to be taken under this policy requiring approval by the Board of Deacons shall require the affirmative vote of not fewer than eight (8) members of the Board.

C. Eligibility.

The following persons shall be eligible for home purchase assistance. Full-time staff members of the Church, who have at least one (1) year of continuous employment, and are recommended for the program by the then-acting Senior Pastor.

II. Procedure.

A. Existing Loans.

Loan agreements made prior to the effective date of this policy shall remain in effect and are not modified by reason of the adoption of this policy. However, upon the eventual sale of the properties and repayment of loans already in effect, the proceeds thereof shall be added to the funds available hereunder, and shall thereafter be governed by the terms of this policy.

B. Approval of Specific Properties.

No property shall be purchased under this program unless it has been approved by the then-acting Senior Pastor, and by the then-acting Chairmen of the Personnel Committee, Finance Committee, and Board of Deacons.

C. Down Payment.

1. The maximum down payment to be made by the Church shall be forty percent (40%) of the median price of a three (3) bedroom, two (2) bath home located in the cities of _____, _____, and _____. In determining said median price, the Board of Deacons may rely on their reasonable estimate of said median based on relevant information and statistics which may then be available to them.
2. The Church may make the entire down payment on said purchase, up to the maximum set forth above, or such lesser portion of the down payment as may be necessary to assist the eligible employee.
3. As between the Church and the participating employee, the Church's down payment shall be considered a loan, shall bear interest at not less than the rate then generally available on passbook savings accounts in insured institutions, and shall be fully due and payable, including principal and accrued interest, upon sale of the property, or on other termination of the co-ownership or agreement with the employee as provided for in said agreement or in this policy.

D. Form of Ownership

Title to the property shall be held in the name of the eligible employee. The Church and the employee shall sign a co-ownership agreement consistent with the terms of this policy and containing such other terms as the parties may then agree to; and the employee's obligations to the Church under said agreement shall be secured by a "Performance Deed of Trust" on the subject property.

E. Monthly Payments.

1. The eligible employee shall be required to contribute not less than thirty five percent (35%) of his or her gross salary to payments of principal, interest, taxes, and insurance on the property.
2. If the employee is not able to make all payments due on the loan required to purchase the property, then the Church shall provide mortgage assistance to service said debt; provided that the monthly mortgage assistance to service said debt; provided, that the monthly mortgage assistance provided by the Church shall not exceed eighteen percent (18%) of the staff member's gross salary.

F. Division and Payment of Proceeds on Sale or Other Disposition of the Property or Termination of the Co-Ownership Agreement.

1. Upon sale or other disposition of the property the cash proceeds shall be distributed according to the following priority.
2. Payment of all expenses chargeable to the Church and the employee in connection with such sale, including real estate commissions, title and escrow fees, and transfer taxes, to the extent that the parties have agreed to pay those expenses.
3. Payment of debts to creditors who are not joint owners of the property, in the priority provided by law, including payment of the institutional loan used to acquire the property.
4. Payment to the Church for any sums which are owed to it by reason of a default by the employee in his or her obligations to the Church under the terms of this policy or the co-ownership agreement.
5. Payment to the Church for the amount of its down payment as set forth in paragraph II-C3 above, together with interest which has accrued thereon. Provided, however, that the employee shall not be required to pay any deficiency if the proceeds are insufficient to pay all sums due under this paragraph.
6. The balance remaining, if any, shall be divided between the Church and the employee in the same proportions as they contributed to the monthly servicing of the debt used to acquire the property.

G. Joint Ownership Agreement

Prior to the acquisition of any property pursuant to this policy, the Church and the employee shall enter into a written joint ownership agreement. The agreement shall contain provisions carrying out the terms of this policy, and such other provisions as the employee and the Board of Deacons may, at the time, agree to. The agreement shall include at least the following provisions.

1. The employee shall be obligated to pay all routine expenses of the property, in addition to making monthly payments of principal, interest, tax and insurance as set forth above. The employee shall be fully obligated to pay all utilities and routine maintenance of the property.
2. The Church and the employee will share the costs of major repairs which are required during the period of joint ownership in the same proportions as they share in the appreciation of the property, as described in paragraph II-F5 above. The term "major repairs" shall include repairs to

any part of the property, including fixtures and operating systems, which are required for the continued use of the property as a suitable residence. Major repairs may also include non-routine maintenance items which are required in order to preserve the continued utility of the structure, such as exterior house painting. Except in the event of an emergency, all such major repairs or maintenance items shall require the prior approval of the Board of Deacons of the Church, or such person as it shall from time to time designate.

3. The Church shall not be obligated to contribute to any discretionary maintenance items, nor to any remodeling of the property. Unless the Board of Deacons otherwise agrees, all such remodeling shall be at the employee's sole expense and without reimbursement or other compensation at the time of sale or other disposition of the property. The employee shall not undertake any substantial remodeling of the property without the prior consent of the Board of Deacons. The term "substantial remodeling" shall not include changes to the interior painting, window coverings, wall coverings, or floor coverings.
4. The employee shall insure the property in such amounts and with such coverage as the Board of Deacons shall approve. However, the Church shall seek to have the policy include earthquake coverage where it is reasonably available in order to protect the Church's investment in the subject property.
5. The employee shall not rent the property to others without the prior written consent of the Board of Deacons, and the Board shall be under no obligation to give said consent, it being the primary purpose of this policy to assist the employee in acquiring property for use as his or her personal residence.
6. The employee shall not borrow against or otherwise encumber or hypothecate his or her interest in the property during the period of the agreement, nor shall the employee be permitted to sell or transfer his or her interest or any portion thereof during the period of this agreement.
7. The Church shall retain the right to sell, transfer or assign its interests under the agreement to any third party, without the prior consent of the employees.
8. Upon any termination of the agreement, the employee shall have an option to purchase the interest of the Church based upon the then fair market value of the property, with the Church's interest to be paid for in cash within one hundred twenty (120) days, based upon the formula set forth in paragraph II-F above. If the employee waives this option or fails to consummate the purchase, then the Church will have the option to

purchase the employee's interest upon the same terms and conditions. If neither the employee nor the Church successfully exercises its option hereunder, then the property shall be listed and sold, and the proceeds divided in accordance with paragraph II-F above.

9. The co-ownership agreement shall terminate on whichever of the following events shall first occur:
 - a. Termination of the employment relationship between the Church and its employee, whether said termination occurs voluntarily or involuntarily on the part of the employee.
 - b. The employee's failure to occupy said property as a principal place of residence for ninety (90) consecutive days.
 - c. The employee's material breach of the co-ownership agreement.

A PERSONALIZED MODEL HOUSING ASSISTANCE AGREEMENT

THIS AGREEMENT is entered into as of the date set forth below by and between (NAME OF CHURCH) ("Church") and (NAME), a (married) man ("Name").

A. Recitals.

1. Existing Relationships Between the Parties.
 - a. Church employs ("Name") as a minister.
 - b. Because of the high cost of housing in the Church's geographic area, the Church wishes to assist ("Name") in obtaining suitable housing.
 - c. This Housing Assistance Agreement addresses only one segment of the terms and conditions of "Name's" employment.
2. Purpose.
 - a. ("Name") intends to acquire improved real property commonly known as (Address), (City), (Zip Code), (County), California.
 - b. The purpose of this Agreement is to set forth the terms by which the Church and ("Name") agree to hold title to the property, the terms regarding the Church's housing assistance, and the terms governing the rights and obligations of the parties relating to the ownership, management, and disposition of the property.
3. Commencement and Term.
 - a. There is presently pending an escrow for the purchase of the real property by ("Name"). The term of this Agreement shall commence on the close of said escrow.
 - b. This Agreement shall terminate upon whichever of the following events shall first occur:

- i. Termination of the employment relationship between the Church and ("Name") by either party.
 - ii. The death of ("Name").
 - iii. The failure by ("Name") to occupy said property as his principal place of residence for a period of ninety (90) consecutive days, without the prior written consent of Church.
 - iv. ("Name's") election to terminate the Agreement.
- c. Upon the occurrence of any of the foregoing events, either party may give the other party at least thirty (30) days written notice of the party's election to terminate the Agreement. Upon the giving of such notice, the Agreement shall terminate on the date stated in the notice. Thereafter, the property shall be disposed as provided in paragraphs E-2 through E-5 herein.

B. Contributions.

1. Initial Capital Contributions.

- a. The initial contributions shall consist of cash to be contributed by the parties in the following amounts:

<u>Name</u>	<u>Original Contribution</u>
Church ("CHURCH NAME")	\$
Name of Employee ("FULL NAME")	\$

- b. In order to purchase the property, ("Name") will be obtaining a loan secured by a First Deed of Trust on the subject property from (Name of Loan Institution). Except as provided in paragraph B-2a below, ("Name") agrees to make all payments when due on said loan.
 - c. As between the Church and the participating employee, the Church's down payment shall be considered a loan, shall bear interest at not less than the rate then generally available on passbook savings accounts in insured institutions, and shall be fully due and payable, including principal and accrued interest, upon sale of the property, or on other termination of this Agreement.

- d. ("Name") may repay all or any portion or portions of the amount due hereunder at any time or times during the period of this Agreement, without penalty.

2. Additional Capital Contributions.

- a. The Church agrees to make an additional contribution of \$_____ per month toward payment of the loan from (Name of Savings Institution). Except as set forth in paragraphs B-2c and B-2d below, no other capital contributions shall be required from the Church.
- b. ("Name") agrees to make all other payments of principal and interest due on the Promissory Note secured by a First Deed of Trust payable to (Name of Savings Institution), and any and all property taxes attributable to the property.
- c. ("Name") further agrees to maintain a policy of homeowner's insurance, including liability with limits of not less than _____ (\$_____), fire and extended coverage for the full replacement cost of the improvements, and earthquake coverage. Said policy shall include a "Lender's Loss Payable" endorsement, naming the Church as a second mortgage holder.
- d. ("Name") further agrees to pay the cost of all utilities to the property, and all costs for preserving, maintaining, and repairing the property, except for "major repairs," ("Name") and the Church will share the costs of major repairs which are required during the period of this Agreement in the same proportions described in paragraph D-2e below. The terms "major repairs" shall include repairs to any part of the property, including operating systems which are required for the continued use of the property as a suitable residence. Major repairs may also include non-routine maintenance items which are required in order to preserve the continued utility of the structure, such as exterior house painting. Except in the event of an emergency, all such major repairs or maintenance items shall require the prior approval of the Board of Deacons of the Church or such person as it shall from time to time, designate.

- e. In the event additional contributions are required by reason of additions or improvements to the existing residence which "Name" wishes to make, which are not agreed to by the Church, then the additional contribution shall be made by "Name" and no additional contributions shall be required of Church. Unless the parties otherwise agree, in writing, at the time of said addition or improvement, "Name" shall not be entitled to any reimbursement or compensation at the time of sale. "Name" shall not undertake any substantial remodeling of the property without the prior consent of the Board of Deacons. The term "substantial remodeling" shall not include changes to the interior painting, window coverings, wall coverings, or floor coverings.

3. Remedies for Failure to Make Payments.

- a. In the event any party shall fail to make any payment when due, the remaining party or parties may, at their option, make said payments in order to prevent repossession or other detriment to the property. In that event, the party or parties who make such contribution shall be entitled to whatever tax deductions are attributable to said payments.
- b. In the event any party shall make payments under the terms of this paragraph which should have been made by any other party, said payments shall be treated as a loan to the defaulting party and shall earn interest at the same interest rate then in effect on the loan from (Name of Savings Institution); and said loan shall be payable on demand after thirty (30) days.
- c. If said sum or sums are not repaid upon demand, then the non-defaulting party shall have the option to purchase the interest of the defaulting party as that interest is valued under the provisions of paragraph E-3 below, or to require that the property be placed for sale as provided for in paragraph E-5 below.

4. Use and Occupancy of the Property.

- a. ("Name") shall be entitled to exclusive possession and control of the property so long as payments due hereunder are current, and he is in compliance with the remaining provisions of this Agreement. His right to exclusive possession and control shall terminate upon any event causing termination of this Agreement as provided for herein.

- b. ("Name") shall not rent his portion of the property without the consent of Church. A primary motivation for the Church's willingness to enter into this Agreement is the employment relationship between Church and ("Name"). By reason of the foregoing, the Church shall be under no obligation to grant such consent, even though the withholding of the consent may otherwise seem unreasonable. No such consent shall in any way excuse ("Name") from any of the obligations under this Agreement.

C. Management.

1. Control of Property.

("Name") shall have control of the property and shall assume direction of its maintenance and operation. ("Name") shall have no obligations to confer with the Church regarding the ownership and management of the property, except as to matters set forth herein.

2. Acts Requiring Unanimous Written Consent.

Except as otherwise provided herein, the following shall be done only with the Church's prior written consent:

- a. Selling or entering into a contract to sell any of the property.
- b. Encumbering or otherwise hypothecating the property or entering into any contract for such purpose.
- c. Knowingly suffering or causing anything to be done whereby the property may be seized or attached or taken in execution, or its ownership or possession otherwise endangered.

EQUITY SHARE AGREEMENT – MODEL #3

The following is a very short policy of a church in Southern California. The feasibility of this Agreement is dependent on the Pastor having some Equity. The dollars in the Examples need to be tailored for the specific Church and Pastor.

**PERSONNEL COMMISSION
FINANCE AND PROPERTY COMMISSION
HOUSING EQUITY SHARING POLICY FOR
FULLTIME NEWLY-CALLED MINISTERIAL STAFF**

BENEFIT:

Housing equity sharing for the purchase of a primary residence in the Church area.

FOR:

Newly-called fulltime Ministerial Staff.

AMOUNT:

An amount up to the original first year annual salary. Staff member will be responsible for matching every three dollars (\$3.00) provided by the Church with one dollar (\$1.00) of his/her own. Church financing will be in the form of an equity-sharing note secured by a Second Trust Deed in favor of the Church. The equity sharing should be approved by the congregation, either in the annual budget or by special request in a congregational meeting.

CONDITIONS:

Finance and Property Commission must approve the property prior to purchase. Approval will not be unreasonably withheld. Staff member must be able to show financial ability to meet all expenses required by purchase. Staff member must obtain permission from Finance and Property Commission to further encumber the property. If staff member elects to make major additions to the property, he/she must seek prior approval of the Finance and Property Commission who would approve or deny after determining the new equity percent based on the total investment of original price plus addition.

SALE:

The sale of the property must be approved by the Finance and Property Commission. Approval will not be unreasonably withheld. Upon sale, the proceeds from the sale will be distributed. The capital will be distributed as outlined below. If the staff member sells the property and purchases another home, he may use up to the original first year salary in purchasing the new primary residence.

DISTRIBUTION OF SALE PROCEEDS:

- A. First, pay off First Trust Deed and all charges related to sale.
- B. Second, pay off Second Trust Deed to Church.
- C. Third, Church to receive percentage share of profit. Percentage shall be determined by dividing original purchase price into the church loan amount. This percentage shall be multiplied times the actual profit amount to determine the church profit share. In the event the proceeds from the sale are insufficient repay in full the Second Trust Deed, the Church will forgive the staff member any shortfall of capital.

TERMINATION OF EMPLOYMENT:

If employment is terminated for any reason, the Second Trust Deed shall become due and payable within ninety (90) days from date of termination.

Example:

Property purchase for	\$100,000
Church participation,	
20% of purchase	\$ 20,000
Staff member participation	
80% of purchase	\$ 80,000

Sale with profit:

Purchase price	\$100,000
1 st Trust Deed	\$70,000
2 nd Trust Deed	
(Church, 20%)	\$20,000
Buyer	\$10,000
 Sale Price	 \$150,000
1 st Trust Deed	\$70,000
2 nd Trust Deed	\$20,000
Profit	\$ 60,000
(20% Profit to Church)	
Equity Profit Share	\$ 12,000

Sale with loss:

Purchase price	\$100,000
1 st Trust Deed	\$70,000
2 nd Trust Deed (Church)	\$20,000
Buyer	\$10,000
 Sale Price (Example A)	 \$ 90,000
1 st Trust Deed	\$70,000
2 nd Trust Deed	\$20,000
Profit	- 0 -
 Sale Price (Example B)	 \$ 85,000
1 st Trust Deed	\$70,000
2 nd Trust Deed (Church)	\$15,000
Forgiven by Church	\$ 5,000
Profit	- 0 -

EQUITY SHARE AGREEMENT – MODEL #4

This is a very carefully worded document from a Church that administrates their Equity
Share Agreements through their Church Foundation.

TENANTS IN COMMON AGREEMENT

This Tenants In Common Agreement ("Agreement"), effective _____, 20____, is made by and between CHURCH, a California corporation BOB and MARY JONES, husband and wife (collectively "the JONES"). CHURCH and the JONES are sometimes referred to herein collectively as the "Parties" or "Owners."

RECITALS

A. The JONES desire to acquire, own and maintain certain real property located at _____ Avenue, _____, California (the "Property"), together with CHURCH as tenants in common;

B. By this Agreement the parties desire to clarify their relationship with respect to the ownership of the Property.

THEREFORE, in consideration of the mutual promises, terms and conditions contained herein, the parties agree as follows:

ARTICLE I

PURPOSE: TERM

1.1 Purpose. The purpose of this Agreement is to set forth the legal and equitable interests of the parties, including their rights, liabilities, obligations and duties as tenants in common of the Property.

1.2 Term. The term of this Agreement shall commence on _____, 20____ ("commencement date") and terminate on the first to occur of (i) the disposition of sale proceeds and the complete performance of all obligations hereunder occurring after the sale, transfer or conveyance of the Property to someone other than one of the Owners, or (ii) the acquisition by either Owner of the entire interest of the other Owner in the Property.

ARTICLE II

PURCHASE BY OWNERS

2.1 Initial Investments. The Owners acknowledge and agree that the following investments for the purpose of acquiring the Property have been or will be contributed toward the purchase price of the Property:

	Initial	Initial Equity Participation
<u>Name of Owner</u>	<u>Investment</u>	<u>Percentage</u>
CHURCH	\$_____	56.02%
BOB JONES and MARY JONES, husband and wife, as community Property	\$_____	43.98%

2.2 Allocation and Source of Initial Investment. The parties agree and acknowledge that:

(a) CHURCH. CHURCH'S initial investment of \$_____ in the form of cash has been or will be subsequently deposited into an escrow as part of the initial purchase of the property.

(b) JONES. JONES'S initial investment of \$_____ (\$_____ in the form of cash and \$_____ in the form of financing) has been or will be subsequently deposited into an escrow as partial payment for the purchase of the Property. Such financing, represented by a loan in the original principal amount of \$_____ ("loan") is to be secured by a first deed of trust encumbering the Property. BOB JONES and MARY JONES shall, and hereby agree to make all payment son the loan in a timely manner, and shall each be jointly and severally liable to CHURCH for the repayment of the loan, and will perform all obligations of any deed of trust encumbering the Property.

2.3 Closing Costs. All costs, including closing costs, escrow fees, commissions and title insurance, but excluding costs associated with procurement of the loan, arising out of the initial purchase of the Property shall be borne and paid by the Owners in proportion to their initial equity participation percentages.

ARTICLE III

ACTIONS REQUIRING UNANIMOUS CONSENT OF THE OWNERS

3.1 Restrictions On Owners. No Owner may do any of the following acts without the prior written consent of the others (which consent may not be unreasonably withheld):

(a) Rent or lease, or enter into any negotiations to rent or lease, the Property of any portion thereof to any third person;

(b) Lien, mortgage or encumber the Property or any portion thereof;

(c) Transfer, convey, sell or assign in whole or in part, any interest in the Property except as specifically provided for in this Agreement;

(d) Transfer by testamentary disposition or other trust instrument which becomes effective at the death of an Owner, any interest in the Property except to: (i) the Owners' undersigned spouses, (ii) an Owner's issue, or (iii) a revocable trust for the benefit of such Owner, undersigned spouse, or issue;

(e) Commit waste or create a nuisance in, on, or about the Property; or

(f) Make capital improvements to the Property. For purposes of this Agreement, "Capital Improvements" are those projects or set of related projects of a capital nature which are intended to increase the value of the Property and/or to extend its useful life, the costs of which exceeds \$5,000.00. To the extent that CHURCH approves of a Capital Improvement, CHURCH shall have the option of whether or not to participate in its cost (excluding the cost of an Owner's labor, or the labor of an Owner's relatives or any entity in which an Owner has any interest) in the discretion of CHURCH. If CHURCH decides to participate in the costs of a Capital Improvement, costs shall be shared based on the parties' current equity participation percentages. If CHURCH decides not to participate in the cost of a Capital Improvement, the JONES shall have sole responsibility for the cost of the Capital Improvement. If the project cost exceeds \$25,000, the JONES can elect to treat the cost of the Capital Improvement as an in-kind payment towards the purchase price of a partial interest in the Property to the extent such Capital Improvement results in an increase in the fair market value of the Property according to the procedure set forth in Sections 6.3(b) and 6.3(e).

The occurrence of any of the aforementioned events without the prior written consent of the others shall constitute a default of this Agreement and the non-defaulting Owner's remedies shall be governed by law or in equity, as well as by Article VI below. In addition, upon the occurrence of an event described in subparagraph (a) hereof, the non-defaulting Owner shall be entitled to their pro-rata share of any net rental income based on their equity participation percentages at the time of the default. Notwithstanding the above, the acceptance of such net rental income shall not constitute consent by the non-defaulting Owner to seek any legal or equitable damages against the defaulting Owner. Upon the occurrence of an event described in subsection (b), (c) or (d) hereof, the transfer, conveyance or assignment shall be void and of no force or effect.

ARTICLE IV

OBLIGATIONS OF THE PARTIES

4.1 Obligations of CHURCH. Except for contributing the amount set forth in Section 2.1 above, CHURCH shall have no responsibility, obligation or liability to contribute any further sums pertaining to the Property, or its repair, maintenance, or upkeep.

4.2 Obligations of the JONES. The JONES each, jointly and severally, agree to pay when due the following costs and expenses related to the Property subject to the limitations otherwise provided herein:

- (a) Federal, state and local real property taxes and assessments;
- (b) Supplemental taxes arising out of the initial purchase of the Property;
- (c) All necessary maintenance and repair expenditures (any item over \$5,000.00 shall be treated as a Capital Improvement);
- (d) Utilities;
- (e) Premiums for insurance covering the interests of both of the Parties in the Property and the liability exposure of both of the Parties, except as otherwise agreed to by the parties; and
- (f) All monetary sums related to the repayment of the loan described in Section 2.2(b) above, including but not limited to, payments of principal, interest, and penalties.

The amount and type of insurance coverage as set forth in subsection (e) hereof shall consist of the following: fire and extended coverage insurance insuring the interests of both of the Parties in the Property in an amount equal to the replacement value of the Property (including earthquake insurance with a deductible of not more than 15% of value); bodily injury liability insurance with limits of not less than \$500,000.00 per person and \$1,000,000.00 per occurrence insuring against any and all liability of both Parties with respect to the Property or arising out of the maintenance, use or occupancy thereof; and property liability insurance with a limit of not less than \$100,000.00 per incident. All such insurance policies shall be issued by a reputable insurance company acceptable to CHURCH in the names of CHURCH and the JONES, or, in the alternative, shall set forth CHURCH as named additional insured on any such policies, which policies shall be for the mutual and joint benefit and protection of CHURCH and the JONES. All insurance policies must contain a provision that the company writing said policy will give each of CHURCH and the JONES thirty (30) days prior written notice of any cancellation, lapse, reduction or other adverse change respecting such insurance. The JONES shall provide CHURCH with a certificate of insurance evidencing compliance with the foregoing within thirty days of acceptance of this Agreement.

ARTICLE V

DEFAULT

5.1 Events of Default. Each party to this Agreement shall be in default or breach of this Agreement when said party does or suffers any of the following (individually, an Event of Default):

(a) (i) Becomes subject to a filed petition under any chapter of the Federal Bankruptcy Act; (ii) obtains or becomes subject to an Order or decree of insolvency under state law; (iii) makes an assignment for the benefit of creditors, or consents to or suffers the appointment of a receiver or trustee with respect to any substantial part of his or her assets that is not vacated or released within thirty (30) days; (iv) consents to or suffers an attachment or execution levied with respect to any substantial part of his or her assets that is not vacated or released within thirty (30) days; (v) becomes subject to a petition for a charging order or a charging order is issued, against his or her interest in the Property and is not released or satisfied within thirty (30) days;

(b) Defaults or breaches any term, covenant, or condition contained in this Agreement; or

(c) As to the JONES only, where the JONES' default or breach any loan agreement secured by any interest, lien or encumbrance, including but not limited to, a deed off trust on the Property, or any other agreement related to the Property.

5.2 Remedies for Default. In addition to any right or remedy at law or in equity, upon an Event of Default which has not been cured by the defaulting Owner within 45 days of written notice of such Event of Default by the non-defaulting Owner, the non-defaulting Owner may in their sole and absolute discretion, but without any obligation to do so, purchase the interest of the defaulting Owner for the price and upon the terms and conditions set forth in Article VI below.

The defaulting Owner shall be liable for, and shall pay to the non-defaulting Owner upon demand, any and all damages incurred by the non-defaulting Owner, arising out of the defaulting Owner's breach or default, including but not limited to costs, sales costs, recording fees, expenses and reasonable attorney's fees paid or incurred by the non-defaulting Owner.

ARTICLE VI

OPTION TO PURCHASE

6.1 Optional Purchases. Upon the occurrence of any event described below, irrevocable options to purchase the Property shall arise as follows:

(a) Upon the occurrence of an Event of Default as provided in Article V above, the non-defaulting owner shall have an option as set out in Section 5.2.

(b) Upon the merger or dissolution of CHURCH, or if CHURCH for some other reason ceases to exist, BOB JONES and MARY JONES, or the survivor of them, shall have an option to purchase CHURCH'S interest in the Property, and if unexercised within sixty (60) days thereafter, CHURCH shall have the option to purchase all of the JONES' interest in the Property.

(c) From time to time during the term of this Agreement, but subject to the approval of the Board of the CHURCH Foundation if the fair market value of the Property is then less than \$_____, the JONES shall have an option to purchase for cash or by Capital Improvements to the Property, as set out in Section 3.1(f), all or a portion of CHURCH'S interest in the Property, subject also to the requirement that each transaction shall be for a minimum of \$25,000.00.

(d) Upon termination of employment of BOB JONES as Senior Pastor of CHURCH, whether voluntary or involuntary, and whether by death or disability or otherwise, BOB JONES and MARY JONES, or the survivor of them, shall have an option to purchase all of CHURCH'S interest in the Property, and if unexercised within sixty (60) days thereafter, CHURCH shall have the option to purchase all of the JONES' interest in the Property.

6.2 Exercise of Option. An irrevocable option to purchase the Property as wet forth herein shall be exercised, if at all, by providing the defaulting Owner, or the estate, trustee, or other legal representative of a surviving Owner described in Section 6.1(b), or CHURCH or the JONES, as the case may be ("Selling Owner"), written notice of the intent of the non-defaulting Owner, or surviving Owner, or CHURCH or the JONES< as the case may be ("Purchasing Owner"), to exercise the option within (i) sixty (60) days from the date of notification of the Event of Default, or the death of the surviving Owner described above, or (ii) in the case of Section 6.1(c), upon prior written notice duly given at any time during the term of this Agreement, or (iii) in the case of Section 6.1(d), within sixty (60) days after termination of this Agreement.

6.3 Purchase Price.

(a) JONES" Cash Purchase of a Partial Interest in the Property. In the event that the JONES exercise their option to purchase a portion of the Property for cash pursuant to Section 6.1(c), the JONES shall pay the purchase price to CHURCH in cash for a portion of CHURCH'S interest in the Property as determined below. Upon payment of the purchase price, the JONES' equity participation percentage in the Property shall be increased (and CHURCH'S equity participation percentage in the Property shall be decreased) by an absolute percentage determined mathematically as follows:

Change in Owner's Equity Participation Percentages = (Purchase Amount)
Divided by (Fair Market Value of the Property)

(b) JONES' Purchase of a Partial Interest in the Property by Making a Capital Improvement. In the event that the JONES exercise their option to purchase a portion of the Property based on the value of a capital improvement made by the JONES to the Property pursuant to Section 6.1(c), the JONES shall be given ownership credit for any increase in the fair market value of the Property resulting from the capital improvement (and not general market conditions) and the Owners' equity participation percentages shall be adjusted to the new equity participation percentages determined mathematically as follows:

New Equity Participation Percentage of JONES = [(Pre-Improvement Equity of JONES) plus (Increase in Fair Market Value due to Capital Improvements) divided by [Fair Market Value of the Property after Capital Improvements]].

New Equity Percentage of CHURCH = [Pre-Improvement Equity of CHURCH] divided by [Fair Market Value of the Property after the Capital Improvements]

(c) JONES' Purchase of CHURCH'S Entire Interest in the Property. In the case of the JONES exercising an option to purchase all of CHURCH'S ownership pursuant to any of the Subsections under Section 6.1, the JONES shall pay an amount to CHURCH determined mathematically as follows:

JONES' Purchase Price = (Fair Market Value of the Property) times (CHURCH'S Current Equity Participation Percentage)

(d) CHURCH'S Purchase of JONES' Entire Interest in the Property. In the case of CHURCH exercising an option to purchase all of the JONES' ownership pursuant to Sections 6.1(a) and 6.1(d), CHURCH shall pay an amount to the JONES determined mathematically as follows:

CHURCH'S Purchase Price = [(Fair Market Value of the Property) times (JONES' Current Equity Participation Percentage)]

In such event, upon CHURCH making payment of the purchase price, the JONES shall execute and deliver a deed conveying their interest in the Property to CHURCH. If permitted and at the election of CHURCH, JONES shall cooperate in arranging for CHURCH to assume any outstanding loan to JONES secured by the property, in which event the principal amount assumed shall be credited to the purchase price.

(e) Fair Market Value Determined by Appraisal. For purposes of this Agreement, fair market value shall be determined by appraisal as performed by a qualified appraiser who is jointly selected by CHURCH and the JONES or the legal representative of CHURCH and/or the JONES, as the case may be, within ten (10) days from the following dates:

(1) In the case of an option to purchase pursuant to Section 6.1(a), the date of the Event of Default (or the date it is discovered, if later,);

(2) In the case of an option to purchase pursuant to Section 6.1(b), the date the corporation is formally dissolved with the California Secretary of State;

(3) In the case of an option to purchase pursuant to Section 6.1(c), the date of exercise in the case of a cash purchase and the date construction is completed in the case of a Capital Improvement purchase (Section 6.3(b)); and

(4) In the case of an option to purchase pursuant to Section 6.1(d), the date of termination of this Agreement.

(f) Payment of appraisal Fees and Expenses. Appraisal fees and expenses shall be paid by the JONES except in the case of an option to purchase pursuant to Section 6.1(a) in which event they shall be paid by the defaulting Owner. If the parties agree upon an appraiser, such appraiser shall determine the fair market value of the Property with ten (10) days. If the parties cannot agree upon a single appraiser, each party shall separately appoint and pay an appraiser. Within ten (10) days after the appointments, the two (2) designated appraisers shall jointly agree upon the fair market value of the Property. If they are unable to agree, the two (2) appraisers shall within five (5) days thereafter jointly designate a third (3rd) appraiser, whose charges shall be paid equally by the Owners. If within ten (10) days the third (3rd) appraiser agrees with either of the originally asserted appraisals, the value so established shall be binding on all parties. If there is no such agreement, the appraised value which is between the highest and the lowest of such appraised values shall be conclusively deemed to be the fair market value of the Property. In the event that one party fails to appoint an appraiser as specified herein, the appointment of the party who does so select such an appraiser shall be deemed to be the appointment of all the parties concerned. Any appraiser so appointed as described herein shall be a member of the American Institute of Real Estate Appraisers (MAI), with at least three (3) years of experience appraising property similar to the Property in the same general locale as the Property.

6.4 Payment of Purchase Price. Unless otherwise agreed by the parties, payment of the purchase price under an option to purchase shall be made by cash within ninety (90) days after written notice of the intent to exercise the option.

ARTICLE VII

SALE OF PROPERTY AND DISTRIBUTION OF SALE PROCEEDS

7.1 Listing. Notwithstanding any other provision in this Agreement regarding the transfer or conveyance of the Property, if events have occurred which have given rise to an option for each Party to purchase the interest of the other Party in the Property and neither party has exercised that option, the Property shall be listed for sale with a duly

licensed real estate broker jointly selected by the Parties. The listing price shall be whatever price the real estate broker suggests will bring about a sale within ninety (90) days of the listing. If an offer acceptable to the Owners to purchase the property is not received within ninety (90) days, the listing price shall be reduced by ten percent (10%).

7.2 Sale Proceeds. Upon the sale of the Property to a third party, the proceeds shall be distributed in the following order:

(a) First, to the payment of all closing costs, escrow fees and commissions;

(b) Second, to the satisfaction of all amounts due and owing under the loan described in Section 2.2(b) above; however, to the extent the proceeds from the sale of the Property are insufficient to satisfy repayment of the loan, then the JONES shall be required to contribute all funds necessary to pay the loan in full. In the event CHURCH elects to contribute any or a portion of said amount, this contribution among the Owners shall not create any rights in third parties which would not otherwise exist nor act as a defense, waiver, bar or estoppels against CHURCH from proceeding against the JONES for indemnification pursuant to Section 8.1 below;

(c) Third, to CHURCH and the JONES in accordance with their current equity participation percentages, subject to the possible adjustment of the amount of the distributions to each to satisfy any monetary obligations due from the JONES to CHURCH with respect to provisions of Section 8.1.

ARTICLE VIII

MISCELLANEOUS

8.1 Indemnification. The JONES each jointly and severally agree to hold CHURCH harmless and agree further to indemnify and defend CHURCH, from and against any loss, claim, liability, demand, cost (including attorney's fees and expert's fees), expense, action, cause of action, proceeding, judgment or damage that CHURCH directly or indirectly suffers or incurs out of: (i) the breach or default of any term, condition or covenant of this Agreement; (ii) the failure of the JONES to perform any of their obligations contained in this Agreement, or in any instrument or other document delivered hereunder, including but not limited to, the loan referenced in Section 2.2(b) above, and any deed of trust securing the loan; (iii) all foreseeable and unforeseeable damages and consequential damages, directly or indirectly arising out of the use, generation, release, threatened release, storage or disposal of hazardous materials, asbestos, toxic wastes and other substances by the JONES or any other owner or operator of the Property, including without limitation remedial and clean-up costs associated therewith; (iv) injury, loss, or damage to third persons or property; (v) inspection of the Property by the JONES, their agents, contractors or third persons; (vi) the JONES' ownership, control, operation, use or possession of the Property; and (vii) any breach of this indemnity provision.

8.2 Notices. Any notice required or desired to be given pursuant to this Agreement shall be in writing and shall be personally served or given by first class mail., postage prepaid. Any notice given by mail shall be deemed to have been received three (3) days after deposit in the United States mail. All mail shall be addressed to such Owner at the address indicated next to their signatures below, or to such other address as may from time to time be specified in a notice given pursuant to this Section.

8.3 Arbitration. Should any disagreement arise during the term of this Agreement that the parties hereto cannot resolve, the protesting party may petition the closest office of the Christian Conciliation Service to appointment an arbitrator. Alternatively, if the parties mutually agree, any individual that they may decide upon may act as arbitrator. The non-prevailing party shall be responsible for any costs incurred unless the appointed arbitrator shall decide to otherwise allocate the costs of this procedure and the decision of the arbitrator shall be binding upon the parties and not subject to further judicial review.

8.4 Attorneys' Fees. Should any litigation, arbitration or other proceeding commence between the parties hereto concerning this Agreement or the rights and duties of either thereto, whether it be an action for damages, equitable or declaratory relief, the prevailing party in such proceeding shall be entitled to, as an element of their costs of suit, in addition to other relief as may be granted by the Court or arbitrator, reasonable attorneys' fees in the discretion of the Court or arbitrator.

8.5 Binding Effect. Subject to the restrictions on transfer of interests in the Property, this Agreement shall inure to the benefit and be binding upon the parties hereto, their successors, heirs, devisees, assigns, legal representatives, executors and administrators.

8.6 Titles and Headings. All titles and headings are for purposes of reference only and shall in no way limit, define or otherwise affect the provisions hereof.

8.7 Applicable Law. This Agreement and the rights and obligations of the parties shall be construed, interpreted and enforced pursuant to the laws of the State of California and without regard to, or aid of, Section 1654 of the California Civil Code, which states:

*In cases of uncertainty not removed by the preceding rules,
the language of a contract should be interpreted most
strongly against the party who caused the uncertainty to
exist.*

8.8 Severability. If any one or more of the provisions of this Agreement shall be held invalid or unenforceable, it is the specific intent of the parties that such provision shall be modified to the minimum extent necessary to make it or its application valid and enforceable, and the validity and enforceability of all the other provisions of this Agreement and all other applications of such provisions shall not be affected thereby.

The parties further agree to replace such void or unenforceable provision which will achieve, to the extent possible, the economic, business and other purpose of the void or unenforceable provision.

8.9 Construction. Where the context so requires, all words used herein in the singular shall be deemed to have been used in the plural, or vice versa, and all words used in the masculine shall be deemed to have been used in the feminine or neuter, as the case may be.

8.10 No Partnership or Joint Venture. Nothing contained in this Agreement shall be deemed or construed as creating a partnership or joint venture between any of the parties hereto. No party is, by virtue of this Agreement, authorized as an agent, employee or legal representative of any other party. No party shall have the power to control the activities and operations of any other. No party shall have any power or authority to bind or commit any other. No party shall hold himself or herself out as having any authority or relationship in contravention of this paragraph.

8.11 Modification/Amendment. This Agreement may not be orally changed, modified, renewed, extended or amended. Any change, modification, renewal, extension or amendment must be by written agreement signed by all parties.

8.12 Further Assurances. Each party to this Agreement agrees to perform any further acts and execute and deliver any documents that may be reasonable necessary to carry out the transactions and provisions contemplated herein.

8.13 Recording of Agreement. The parties each agree that this Agreement may subsequently be recorded.

8.14 Tax Returns. The parties each agree to file their respective federal and state income tax returns and all other tax and information returns or reports in accordance with this Agreement.

8.15 Independent Representation. Each of the parties hereto acknowledges and represents that: (i) this Agreement was prepared by legal counsel for CHURCH. BOB JONES and MARY JONES acknowledge that they have been advised to seek independent legal counsel to review this Agreement on their behalf, that they have had adequate time to do so, and have either obtained such legal advice or have knowingly and intentionally chosen not to seek such advice. The parties represent that they full understand this Agreement and all of its terms and conditions including but not limited to those provisions which significantly restrict their ability to sell, transfer or otherwise dispose of their interest in the Property.

8.16 Survival of Indemnifications and Covenants. Notwithstanding the termination or expiration date of the term of this Agreement, all indemnifications and covenants shall survive any close of escrow of the Property.

CHURCH
CHURCH Address

THE JONES
JONES' Address

By: _____

BOB JONES

Its: _____

By: _____

MARY JONES

ACKNOWLEDGEMENT

State of California)
)ss
County of Santa Clara)

On _____, before me, the undersigned, a notary public in and for the State of California, personally appeared BOB JONES and MARY JONES, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

ACKNOWLEDGEMENT

State of California)
)ss
County of Santa Clara)

On _____, before me, the undersigned, a notary public in and for the State of California, personally appeared BOB JONES and MARY JONES, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____