

Dear Brewster:

Thanks very much for your proposal. We're very excited about it and we have the following questions, comments, and proposals about the details of the arrangement.

1. Our long-term goal would be to repay the \$1,000,000 of capital provided by Open Library of Richmond. We wanted to confirm that the lease between the LLC and Omni would provide that upon full repayment of the \$1,000,000, the Omni non-profit could purchase the LLC from OLR since, after repayment of the capital, OLR would no longer have a stake in the LLC. Having some kind of a pathway to ownership is important to us.
2. We would like the lease to reflect that if we paid a portion of the \$1,000,000 in capital, the rent would decrease proportionately. So for example if we paid 1/2 of it, the interest portion of the lease would decrease by 1/2. We might pay a portion of principal in addition to interest each month similar to an amortized loan and would want those payments reflected in the next month's interest portion of the lease.
3. Another question is the 5 percent initial interest rate. We think we may have thrown out the initial 5 percent number. We've done some additional research and it appears to us that commercial loan rates are currently ranging from 3-5.5%. We would like to use 3.5 percent as the initial interest rate.
4. You said that the percent payable against the capital would be variable and we would like to know more specifically how this would happen. We would prefer a fixed rate, but if a variable rate is important to you, we looked at a commercial loan that another non-profit recently got, and we would propose similar terms:
  - The initial interest rate would be fixed for 5 years.
  - After the fixed period, it would adjust once per year on the first day of the year
  - It would adjust to be the "Six Month LIBOR (London Interbank Offered Rate for six month deposits) as published by the Wall Street Journal, Western Edition, rounded up to the nearest 0.125, plus a margin of 2.0 percentage points."
5. As you know, the cost of the building is \$1,950,000. Under your concept, OLR would put up about \$1,000,000, and the other \$1,000,000 would be contributed by the Omni donor. The building would then be owned by the LLC, which would in turn be owned by OLR.

The Omni donor has asked about what would happen to the \$1 million donation if Omni wasn't able to pay rent or dissolved. If the Omni donor gave their money directly to Omni instead, and Omni purchased the property in its own name, the Omni donor's money would be re-directed by the Omni community if they lost the building. However, if OLR owns the building through the LLC, if Omni dissolves OLR would have the power to decide to either sell it or use it for other purposes.

Naturally Omni's intent and commitment is that Omni will be a long-term project. However, given the size of the \$1 million donation to Omni, the donor wants some consideration of what would happen if things don't work out as expected.

One possible option is that the million dollars would go to OLR as a no-interest, no principal payment loan that would convert to a donation after a particular number of years or at such time as Omni repaid the \$1,000,000 OLR capital and purchased the LLC. If the lease with Omni was terminated because Omni failed to pay rent or dissolved, the loan would be repayable to preserve the Omni donor's funds for similar community purposes. Since the building is likely to be worth at least the purchase price if not more, this arrangement is not a bad deal for OLR in that OLR through the LLC would own the Omni building and any property appreciation.

6. For the lease between the LLC and Omni, Omni wants to have a 99 year lease if possible, or alternatively a 19 year lease with an option to extend for 4 additional 20 year periods. The point of this is to have the security we have had if we had purchased the building ourselves.

7. We also need to specify the details of which organization will carry out accounting related to the LLC, how the building and maintenance fund will be administered and accessed, and if you have specific insurance requirements for the Omni organization and the member collectives who will be the building residents.

We would like to talk to you by Skype or in person as soon as possible to get your feedback on this. If the deal is still acceptable with these points, we would like to see how we can make this happen by forming the LLC and working out the operating agreement and lease terms.