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PROMPT ENGINEERING FOR LAWYERS: HOW DEEP THE RABBIT HOLE GOES: THE CHUNKING TECHNIQUE AND FEW SHOT- PROMPTING

Cliff McKinney*

This is your last chance. After this, there is no turning back. You take the blue pill—the story ends, you wake up in your bed and believe whatever you want to believe. You take the red pill—you stay in Wonderland, and I show you how deep the rabbit hole goes. Remember, all I’m offering is the truth—nothing more.
-Morpheus, *The Matrix*.¹

I. ADVANCED PROMPTING TECHNIQUES FOR LAWYERS

There are many different strategies and techniques that can be applied to prompt engineering. However, there are six methods that are particularly useful for lawyers:²

Chunking, which involves dividing a large task into smaller, more manageable requests;

Few-shot prompting, which involves giving artificial intelligence examples to guide a response;

Iterative prompt refinement, which involves repeatedly rephrasing or refining questions to lead to a better response;

Prompt chaining, which involves guiding the artificial intelligence through related multi-step reasoning;

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1. THE MATRIX, (Warner Bros. Pictures, 1999).

2. Polly Thompson, *I sat in on an AI training session at KPMG. It was almost like being back at journalism school.*, BUSINESS INSIDER (July 26, 2025), [<https://perma.cc/H7AG-5B8G>].

Flipped interaction prompting, which involves asking the artificial intelligence to ask the user questions to prompt new thoughts, like the Socratic method; and

Perspective switching, which involves asking the artificial intelligence to view its output from various perspectives to identify and eliminate weaknesses.

Each of these six techniques will be considered in detail in the subsequent entries in this series, culminating in a final example that combines all the techniques to perform a legal task. In this part, we are going to explore chunking and few-shot prompting.

It is notable that there are fine distinctions between some of these techniques. Three are especially similar: chunking, prompt chaining, and iterative prompt refinement. *Chunking* involves dividing a large, complex task into separate, independent components that can each be individually analyzed, then combined later, such as reviewing each lease clause separately before synthesizing results. By contrast, *prompt chaining* breaks a task into sequential, dependent steps, with each prompt explicitly building on the response from the previous step, much like following a step-by-step recipe. Finally, *iterative prompt refinement* entails repeatedly revising and improving the same task through incremental adjustments until the output is optimized, comparable to repeatedly editing and polishing a single document draft. Understanding these distinctions helps attorneys select the most effective prompting strategies for their specific needs.

II. CHUNKING

A. Explanation

Chunking is an advanced prompting technique that helps lawyers manage and optimize artificial intelligence's performance by strategically dividing large, complex tasks into smaller, more manageable pieces or "chunks."³ The primary

3. Oleg Zaremba, *What is Chunking in Prompt Engineering?*, AI SDR (Sept. 24, 2024), [<https://perma.cc/AV29-U9NH>].

rationale for chunking is that generative artificial intelligence tools typically perform better and produce more accurate and meaningful responses when working on discrete, well-defined tasks rather than attempting to process extensive and multifaceted instructions all at once.⁴ For example, when reviewing a lengthy commercial lease agreement, rather than submitting the entire document to the artificial intelligence model in a single overwhelming prompt, chunking would involve separately analyzing each key section or topic, such as breaking down rent terms, indemnification clauses, insurance obligations, and assignment provisions. Each section is treated as a distinct, independent prompt. After each separate analysis is completed, a lawyer can then synthesize and integrate the results into a comprehensive review. While chunking may initially seem similar to prompt chaining (discussed in detail in the next edition of this series) there is a fundamental distinction: chunking breaks the overall task into independent units, each of which is analyzed individually without relying on the outputs from other chunks, whereas prompt chaining involves a sequential process where each prompt directly builds upon and depends on the previous artificial intelligence response to logically progress towards a final output.⁵ By using chunking, lawyers can achieve clearer, more accurate, and more reliable outputs from artificial intelligence, ensuring that each piece of a complex document or project receives focused, detailed attention.

B. Detailed Example

To demonstrate chunking, I provided the ChatGPT-5 model a sample commercial lease agreement from EDGAR.⁶ First, I asked the model to simply summarize the lease without providing any persona or motivation and without using the chunking technique. The result is a decent summary of 488 words. You can see the full response in [Appendix 1](#).

4. *Id.*

5. *Id.*

6. The sample lease is archived at [<https://perma.cc/4W8U-CVXA>].

Next, I used a detailed prompt with a persona and a motivation, utilizing the chunking mechanism. I stopped the process after the first ten sections (about halfway through) just to limit the length of the analysis, which had already generated a summary of about eight pages. The response is in [Appendix 2](#). As you can see in [Appendix 2](#), I directed the artificial intelligence to break down the lengthy commercial lease into separate, logically structured sections (“**chunks**”) such as lease term, rent determination, construction responsibilities, and insurance provisions. Each chunk was independently analyzed to identify potentially problematic provisions, assess associated risks, and recommend targeted improvements or protections.

The chunking approach clearly enhances clarity, enables focused legal analysis, and helps systematically address nuanced concerns in complex documents. With additional time and effort—for instance, by adding more finely-tuned legal prompts, integrating user feedback, or conducting multiple iterative refinements—the analysis could become even more thorough, precise, and tailored to specific client concerns, further highlighting chunking’s significant potential for improving legal workflows.

III. FEW-SHOT PROMPTING

A. Explanation

Few-shot prompting, also known as few-shot examples or few-shot learning, is an advanced prompting technique that significantly enhances the accuracy and relevance of artificial intelligence outputs by providing the model with specific examples or demonstrations tailored to the user’s particular needs before making the primary request.⁷ When you pose a request to a large language model without prior examples, this is called ‘zero-shot’ prompting, meaning the artificial intelligence

7. Ana Rojo-Echeburúa, *Few-Shot Prompting: Examples, Theory, Use Cases*, DATACAMP (July 21, 2024), [<https://perma.cc/5333-VYR2>].

generates responses based solely on general knowledge and pattern recognition without explicit guidance.⁸

In contrast, few-shot prompting explicitly trains and guides the artificial intelligence by supplying it with carefully selected examples that demonstrate exactly what the user expects in terms of content, style, format, and complexity. For instance, if a lawyer needs artificial intelligence to draft a complex indemnification clause in a commercial loan agreement, the process begins by providing the model with two or three exemplary clauses that specifically reflect the lawyer’s preferred wording, tone, and risk allocation. After this targeted training, the lawyer submits the actual request, prompting the artificial intelligence to produce a new indemnification clause closely aligned with the provided examples. Few-shot prompting is particularly powerful in legal contexts because it enables artificial intelligence to replicate a lawyer’s precise drafting style and reliably incorporate standard positions and language preferences that reflect the lawyer’s specific circumstances, industry norms, and client expectations. In essence, few-shot prompting turns general-purpose artificial intelligence into a tailored legal drafting assistant by explicitly teaching the model through targeted, real-world examples.

B. Detailed Example

As an example, I prompted the ChatGPT-5 model to: *Draft an indemnification clause for a commercial loan agreement that maximizes lender protection and includes indemnification for the lender’s own negligence.* And I did not use few-shot prompting. This was the response:

Indemnification. Borrower shall indemnify, defend, and hold harmless Lender, together with its affiliates, successors, assigns, officers, directors, employees, agents, counsel, and representatives (collectively, the “Indemnified Parties”), from and against any and all losses, claims, damages, liabilities, obligations, penalties, judgments, awards, actions, proceedings, costs, and expenses of any kind (including,

8. Prompt Engineering Guide Staff, *Few-Shot Prompting*, PROMPT ENGINEERING GUIDE (June 7, 2025), [<https://perma.cc/4RA3-WY2X>].

without limitation, reasonable attorneys' fees and disbursements and costs of investigation) (collectively, "Losses") that may at any time be imposed on, incurred by, or asserted against any Indemnified Party, in any way relating to, arising out of, or resulting from (a) the Loan Documents, the transactions contemplated thereby, or the enforcement thereof; (b) the use or intended use of the proceeds of the Loan; (c) any actual or alleged violation of applicable law by Borrower or any of its affiliates; (d) any claim of environmental liability relating to the Borrower, the Property, or any collateral securing the Loan; and (e) any negligence, gross negligence, willful misconduct, or strict liability of any Indemnified Party, except to the extent arising solely from the bad faith or willful misconduct of such Indemnified Party as determined by a final, non-appealable judgment of a court of competent jurisdiction. Borrower's obligations under this Section are absolute, unconditional, and independent of any other obligations set forth in the Loan Documents and shall survive repayment of the Loan, release of any collateral, and termination of this Agreement.

I then started over with the ChatGPT-5 model and began by training the model with few-shot prompts using the prompts contained in [Appendix 3](#). My goal was to teach the model in a way that my client prefers for drafting this type of clause. My client requests that the waiver language be in bold and underlined for emphasis. After training the model on the few-shot prompts listed in [Appendix 3](#), I gave ChatGPT-5 the same task as above, "*Draft an indemnification clause for a commercial loan agreement that maximizes lender protection and includes indemnification for the lender's own negligence,*" and this was the response:

Indemnification. Borrower shall indemnify, defend, protect, and hold harmless Lender, together with its successors, assigns, officers, directors, employees, agents, affiliates, and representatives (collectively, the "Indemnified Parties"), from and against any and all claims, demands, losses, liabilities, damages, judgments, penalties, fines, costs, and expenses (including, without limitation, reasonable attorneys' fees and disbursements and costs of investigation) arising out of, relating to, or in connection

with (i) the Loan, the Loan Documents, or the transactions contemplated hereby; (ii) the ownership, operation, condition, use, sale, or disposition of any collateral securing the Loan; (iii) any breach by Borrower of its representations, warranties, covenants, or obligations under the Loan Documents; or (iv) any acts or omissions of Borrower, its affiliates, partners, members, officers, directors, employees, contractors, agents, licensees, invitees, or tenants. **THIS INDEMNITY EXPRESSLY APPLIES TO ANY CLAIMS, LOSSES, OR LIABILITIES ARISING OUT OF OR ATTRIBUTABLE TO THE NEGLIGENCE, WHETHER SOLE OR CONCURRENT, OF ANY INDEMNIFIED PARTY, IT BEING THE EXPRESS INTENT OF BORROWER TO INDEMNIFY THE INDEMNIFIED PARTIES TO THE FULLEST EXTENT PERMITTED BY LAW.**

The few-shot prompting approach can be used for a wide variety of legal tasks, including:

Clause Drafting with Preferred Style and Risk Allocation: Lawyers can use few-shot prompting to train the model to draft contract provisions, such as indemnities, notice clauses, or remedies, that reflect a preferred tone or risk profile. For example, providing two model clauses that favor the lender in a loan agreement can prompt the artificial intelligence to produce a third clause that aligns with the same protective posture.

Summarizing Legal Documents for Internal or Client Use: By showing the model two examples of summaries of commercial leases or loan agreements, the lawyer can elicit consistent and useful summaries of new documents. This is particularly helpful when seeking to distill the business terms or flag outliers in large volumes of agreements.

Translating Legal Provisions into Client-Friendly Language: Lawyers can provide examples of dense legal language followed by plain-English explanations, enabling the model to replicate that tone for client communications. This is useful for explaining concepts such as subordination, estoppel certificates, or personal guarantees to non-lawyers.

Creating Customized Issue-Spotting Checklists: Providing samples of lease or purchase agreement checklists enables the model to produce customized versions for different asset classes

or transaction types, such as solar ground leases, build-to-suit arrangements, or mixed-use projects.

Generating Tailored Due Diligence Requests: By feeding the model a few examples of due diligence requests, such as document checklists or interview questions, a lawyer can have the artificial intelligence generate new requests tailored to a specific deal structure or industry sector.

Suggesting Edits and Comments on Draft Agreements: Few-shot prompting can help replicate the lawyer's commenting style on draft contracts. For example, showing how the lawyer typically redlines tenant improvement clauses or marks up non-disturbance provisions allows the model to generate comments consistent with the lawyer's voice and priorities.

Replicating Document Formatting and Templates: Lawyers can use few-shot examples to have the model reproduce standardized sections of documents, such as signature blocks, notarial acknowledgments, escrow instructions, or title affidavits, ensuring consistency with internal forms or state-specific requirements.

Drafting Routine Client Communications: Artificial intelligence can learn from a few sample emails or cover letters how to draft client communications, such as reminders for lease renewals, notices of closing packages being ready, or status updates on title clearance or survey issues.

Calibrating Risk and Materiality Judgments: Lawyers can guide the artificial intelligence in categorizing legal issues based on their severity. For instance, providing annotated examples of title objection letters or insurance comments, grouped by materiality, enables the model to better distinguish between major and minor concerns.

Coordinating Multi-Party Transactions: When managing deals involving multiple parties, such as lenders, title companies, and opposing counsel, few-shot prompts can be used to teach the model how to draft progress updates or task lists in the lawyer's preferred tone and format.

IV. CONCLUSION

Chunking and few-shot prompting demonstrate how much control lawyers can exercise over artificial intelligence with careful direction. Chunking breaks down overwhelming legal problems into focused parts that yield clearer, more reliable analysis. Few-shot prompting then teaches the model how to mirror a lawyer's preferred style. Together, these techniques move artificial intelligence from a blunt instrument to a more precise tool.

In the next installment, we will further develop these ideas by exploring iterative prompt refinement and prompt chaining. These methods demonstrate how to refine artificial intelligence's initial drafts through successive revisions, guiding it step by step toward complex, high-quality outputs.

APPENDIX 1

Performed: September 28, 2025

Model: ChatGPT-5

Prompt:

Please summarize this.

Response:

Here's a structured summary of the **Commercial Lease Agreement** between **Temple CB, LLC (Landlord)** and **Okra Energy, Inc. (Tenant)**:

Basic Terms

- **Date:** December 1, 2013
- **Premises:** Property at 4350 Temple City Blvd., El Monte, CA (legal description in Exhibit A).
- **Initial Term:** December 1, 2013 – May 31, 2020.
- **Renewal:** 5 optional one-year renewals at \$100,000/month rent, with 120-day notice.
- **Early Termination:** Tenant may cancel by paying \$300,000 plus all amounts due.

Rent and Deposit

- **Base Rent:**
 - Free rent until May 31, 2014.
 - Gradual increases from \$30,000/month (2014–15) to \$70,000/month (2019–20).
- **Late Fee:** 5% after 10th of month.
- **Security Deposit:** \$20,000 (transferable to buyer if property sold).

Taxes and Expenses

- **Tenant Pays:** All real estate taxes, assessments, personal property taxes, and changes in tax law (except Landlord's income/estate taxes).
 - **Right to Contest Taxes:** Tenant may contest assessments at its expense.
 - **Utilities:** Tenant pays all.
-

Construction and Maintenance

- **Tenant Responsible:** All construction of improvements (permitted, insured, lien-free).
 - **Repairs:**
 - Landlord: construction defects during first 12 months.
 - Tenant: all other repairs and maintenance, including environmental remediation.
 - **Alterations:** Tenant may redecorate; structural changes require Landlord consent (not unreasonably withheld).
-

Use and Operations

- **Permitted Use:** Warehouse and power generation only.
 - **Assignments/Subleases:** Tenant has broad right to assign/sublease if not in default.
 - **Signs:** Tenant may install and must remove on termination.
 - **Covenants:** Maintain insurance (\$1M liability / \$250k property damage), comply with laws, allow Landlord access for inspection.
-

Insurance and Risk Allocation

- **Tenant Insurance:** Builder's risk during construction; liability insurance ongoing.
 - **Proceeds:** Insurance proceeds for damage go to restoration fund controlled by mortgagee or jointly by Landlord/Tenant.
 - **Subrogation:** Mutual release to extent of insurance coverage.
-

Casualty and Condemnation

- **Damage:** Rent abatement proportionate to unusable area. Landlord must repair, or Tenant may terminate if repairs not timely.
- **Condemnation:**
 - Total taking = termination, refund of prepaid rent.
 - Partial taking ($\geq 15\%$ or substantial interference) = Tenant may terminate.

- Awards: Landlord keeps land value; Tenant keeps business/fixtures compensation.

Defaults and Remedies

- **Tenant Default:** Nonpayment, liens, covenant breaches, bankruptcy.
- **Landlord Remedies:** Termination, damages, acceleration, re-letting as Tenant's agent, suspension of services, foreclosure of Tenant's property, or other legal/equitable remedies.
- **Self-Help:** Both parties can cure each other's defaults and recover costs.

Other Key Terms

- **Option to Purchase:** Tenant may buy property anytime during lease for \$3,000,000.
- **Quiet Enjoyment:** Assured if Tenant performs obligations.
- **Subordination:** Lease may be subordinated to institutional mortgage if non-disturbance is granted.
- **Disputes:** Payments/work may be made "under protest" and recovered later.
- **Governing Law:** California, venue in Los Angeles County, jury trial waived.
- **Attorney's Fees:** Prevailing party entitled to recovery.
- **Financial Statement:** Tenant must furnish on execution; material misstatements allow Landlord to demand extra security or terminate.
- **Entire Agreement:** Written lease is sole agreement; amendments must be in writing.

✓ **Overall:** This is a **tenant-heavy lease**—Tenant bears nearly all taxes, construction, repairs, insurance, and risk, but receives valuable benefits:

- Strong **assignment/subletting rights**.
- Broad **termination right with \$300k payment**.
- **Option to purchase** at a fixed \$3M.

- Rent escalations are predictable and relatively low compared to renewal rent (\$100k/month).

Would you like me to prepare a **shorter executive summary (1 page, business-friendly)** or a **detailed issue-spotting analysis highlighting risks and negotiation points** (like I've been doing with the chunk-by-chunk review)?

APPENDIX 2

Performed: September 28, 2025

Model: ChatGPT-5

Prompt:

Step 1: Setting the Context and Goal

You will act as an expert transactional real estate attorney reviewing a commercial lease agreement for a client considering acquiring the tenant's business. Your task is to review each specific section ("chunk") of the lease separately.

The overarching objective of your review is to identify provisions in the lease that could materially affect the client's decision to acquire the business—specifically focusing on risks, liabilities, unusual or potentially harmful terms, or obligations that could significantly impact future business operations.

Step 2: Clear Instructions

For each lease section (chunk) provided to you, please:

Summarize concisely the key terms and obligations contained in that section, explicitly noting the respective responsibilities of landlord and tenant.

Identify and explain clearly any potentially problematic provisions—such as terms that significantly favor one party over the other, terms that create unexpected liabilities, ambiguous language, or unusual obligations.

Recommend specific changes or additional protections that could be negotiated if your client decides to move forward with acquiring the business. If a particular section requires no changes, explicitly note that.

Provide a short "risk rating" (Low, Moderate, or High) for each chunk, clearly stating your reasoning.

Step 3: Output Structure

Organize your responses for each chunk using the following clear headings:

Summary of Section:

Potentially Problematic Provisions:

Recommended Changes/Protections:

Risk Rating: (Low/Moderate/High)

Step 4: Transparency and Clarity

Do not include general disclaimers or introductory phrases (e.g., “As an AI. . .”). Focus strictly on providing clear, actionable legal analysis that a transactional attorney can easily review and utilize.

Response:

Great — I’ve reviewed the uploaded lease. Let’s start with the **first chunk (Articles I–II: Grant of Lease and Lease Term)**.

Summary of Section:

- **Article I – Grant of Lease:** Landlord leases to Tenant the described property (Exhibit A) including improvements.
- **Article II – Lease Term:**
 - Lease began December 1, 2013 and terminates May 31, 2020.
 - Tenant may renew for up to **five successive one-year terms** at a fixed rent of **\$100,000 per month** with 120 days’ notice.
 - Tenant has a **cancellation right** at any time by paying **\$300,000 plus all other amounts then due**, terminating all obligations.

Potentially Problematic Provisions:

1. **Tenant cancellation right** – This is unusually favorable to Tenant: they can walk away anytime by paying \$300,000. If the business being acquired relies on this lease, the landlord could lose its tenant unexpectedly. That makes the business’ location rights less secure.
 2. **High fixed renewal rent** – Renewal rent is fixed at \$100,000 per month, a sharp jump from the \$70,000 monthly rent in 2019–2020. Depending on market conditions, this could be above-market and impact profitability.
 3. **No landlord termination right** – Only Tenant appears to have a unilateral cancellation right. Landlord is locked in until 2020 (or longer if renewed). This imbalance could complicate negotiations if landlord resistance arises later.
-

Recommended Changes/Protections:

- **For the acquiring client:**
 - Conduct **financial modeling** to confirm the business remains profitable at \$100,000/month rent.
 - **Negotiate limits** on the landlord's right to challenge or renegotiate after assignment of lease.
 - Consider **seeking to modify or remove the \$300,000 cancellation right**, or at minimum negotiate notice requirements to give more security of operations.
 - Alternatively, ensure the business acquisition agreement includes **protections or purchase price adjustments** if the lease is terminated early under this clause.

Risk Rating: High

- The unilateral cancellation right plus the significant rent increase at renewal combine to create serious risk to a buyer acquiring the tenant's business. Profitability and even viability of the business at this location could be undermined.

Would you like me to continue chunk-by-chunk in order (Article III onward), or do you prefer me to focus first on sections most critical to an acquisition (e.g., Assignment/Subletting, Defaults, Option to Purchase)?

PROMPT: *Continue in order.*

Perfect — let's move to the **next chunk (Articles III–V: Extensions, Rent, and Security Deposit).**

Summary of Section:**Article III – Extensions**

- Lease can be extended only by mutual written agreement of Landlord and Tenant at the time of extension.

Article IV – Determination of Rent

- **Rent Schedule:**
 - Dec 1, 2013 – May 31, 2014: \$0

- Jun 1, 2014 – May 31, 2015: \$30,000/month
- Jun 1, 2015 – May 31, 2016: \$40,000/month
- Jun 1, 2016 – May 31, 2017: \$50,000/month
- Jun 1, 2017 – May 31, 2018: \$60,000/month
- Jun 1, 2019 – May 31, 2020: \$70,000/month
- **Late Fee:** 5% if rent is not received by the 10th day of the month.

Article V – Security Deposit

- Tenant deposited \$20,000 as security for performance.
- Security can be transferred to a new owner if the property is sold, releasing the original landlord from liability.
- Refundable if Tenant complies fully with lease terms at expiration.

Potentially Problematic Provisions:

1. **Article III vagueness** – While renewals are addressed in Article II, this separate “extension” clause is open-ended, requiring new agreement each time. This may create ambiguity about extension vs. renewal rights.
2. **Rent Schedule Anomaly** – The rent schedule shows \$0 for the first six months (likely an incentive). No escalation tied to CPI or market rent adjustments. After May 2020, rent jumps to a flat \$100,000/month if renewed (from Article II). That is a **steep, non-market escalation** and could create financial stress.
3. **Security Deposit Transfer** – Landlord can freely transfer the deposit to a buyer and is released from liability. Tenant must rely on purchaser to honor it. This is **landlord-friendly** and weakens Tenant’s ability to recover the deposit if problems arise.

Recommended Changes/Protections:

- **Clarify Extensions vs. Renewals:** Ensure Article III is consistent with renewal rights in Article II. As written, it could confuse which governs post-2020 occupancy.
- **Rent Review Mechanism:** For the client, confirm whether the jump to \$100,000 is economically viable.

Ideally, negotiate to tie rent escalations to CPI or market value rather than a flat steep increase.

- **Security Deposit:** Negotiate language requiring the Landlord to **remain secondarily liable** for returning the deposit after transfer, or require the new owner to provide written acknowledgment of receipt and assumption of liability.

Risk Rating: Moderate

- The deposit issue and potential rent shock after 2020 create material concerns. Less risky than the unilateral termination right in Article II, but still financially significant for an acquiring business.

Would you like me to move on to **Article VI (Taxes)** next?

PROMPT: *Yes*

Good — let's move on to the next chunk (Article VI: Taxes).

Summary of Section:**Section 1 – Personal Property Taxes**

- Tenant is responsible for all taxes on its leasehold interest, personal property, and trade fixtures.

Section 2 – Real Estate Taxes

- Landlord must deliver copies of tax bills to Tenant.
- Tenant must pay all real estate taxes and assessments on the leased premises within 21 days of when they become due, including penalties for late payment.

Section 3 – Contest of Taxes

- Tenant may contest taxes or assessed value at its own expense.
- Landlord must cooperate if Tenant requests, provided Tenant covers costs.
- Tenant may withhold payment of taxes during contest proceedings if the law permits.

Section 4 – Payment of Assessments

- Tenant must pay all ordinary and extraordinary assessments within 21 days of their due date.

- Tenant can use installment payment plans, but only responsible for installments falling during the lease term.

Section 5 – Changes in Method of Taxation

- If taxes are restructured (e.g., converted into levies on rent, franchise taxes, or charges on property value), Tenant must pay those too.
- Excluded: Landlord’s estate, inheritance, succession, capital levy, corporate franchise, gross receipts, transfer, or income taxes — unless imposed as a substitute for real estate taxes.

Potentially Problematic Provisions:

1. **Triple-Net Allocation:** Tenant pays all real estate taxes and assessments, including extraordinary assessments. This effectively makes it a **net lease**, shifting significant cost burden to Tenant.
2. **Timing Risk:** Tenant must pay within 21 days of due date, shorter than standard 30-day grace periods. Late payment exposes Tenant to penalties and default risk.
3. **Extraordinary Assessments:** Tenant is liable for extraordinary assessments (e.g., special district levies, capital improvement assessments). This can be very costly and unpredictable.
4. **Change in Tax Structure:** Tenant bears risk of new taxes if imposed as substitutes for property tax. This could be substantial if local tax laws change.

Recommended Changes/Protections:

- **Cap Extraordinary Assessments:** Negotiate a cap or landlord sharing obligation for extraordinary/non-recurring assessments (e.g., infrastructure improvements, environmental remediation levies).
- **Longer Payment Window:** Extend payment deadline from 21 days to 30 days after receipt of tax bill.
- **Change in Tax Structure:** Narrow Tenant’s responsibility so that it only covers **traditional property taxes** and not broader taxes based on income or rent.

- **Verification Rights:** Add provision allowing Tenant to audit or verify taxes billed by Landlord.

Risk Rating: High

- This is a **tax pass-through lease**. All property tax burdens, including unpredictable extraordinary assessments or tax structure changes, fall on Tenant. For a buyer acquiring the business, this is a significant financial risk that needs to be modeled carefully.

Do you want me to continue with **Article VII (Construction and Completion)** next?

PROMPT: *Yes*

Here's the analysis of the **next chunk (Article VII: Construction and Completion)**.

Summary of Section:**Section 1 – Improvements by Tenant**

- Tenant is fully responsible for construction of improvements (see Exhibit B).
- Tenant must obtain all permits, certificates, and licenses at its cost.
- Tenant negotiates and manages all construction contracts, which must include 1-year warranties.
- Tenant must carry **builder's risk and liability insurance** equal to three times the construction cost.
- All risk of loss during construction is on Tenant; insurance proceeds payable to Landlord.
- Tenant must keep property free of liens and indemnify Landlord for any costs if liens are filed.
- Landlord has no duty to investigate compliance and bears no construction responsibility.

Section 2 – Utilities

- Tenant pays for all utilities (water, sewer, electricity, gas, janitorial, etc.), regardless of whether the charge is billed directly or imposed against the premises.
-

Potentially Problematic Provisions:

1. **All Risk on Tenant:** Tenant bears 100% of construction risk, including cost overruns, permits, and insurance obligations. Landlord disclaims all responsibility.
2. **Insurance Proceeds Flow to Landlord:** Builder's risk insurance proceeds are payable to Landlord, not Tenant, even though Tenant bears the construction risk and cost. This is highly unusual and unfavorable.
3. **Lien Indemnity:** Tenant must remove liens within 14 days and indemnify Landlord for all costs. While common, the short cure period is strict and could trigger landlord remedies quickly.
4. **Utilities:** Tenant is responsible for all utilities, which is common, but the clause is broad — Tenant must pay even if charges are assessed against the premises rather than billed directly to Tenant.

Recommended Changes/Protections:

- **Insurance Proceeds:** Negotiate that insurance proceeds for Tenant-funded improvements be payable to Tenant (or at least jointly to Tenant and Landlord), not solely to Landlord.
- **Lien Cure Period:** Extend lien cure period to 30 days, with the ability to bond off liens as an alternative.
- **Utilities:** Narrow scope so Tenant pays for utilities **actually used** by Tenant, not general charges assessed against the property.
- **Landlord Oversight:** Add requirement that Landlord not unreasonably withhold consent for construction, and that insurance proceeds be used to repair/replace improvements rather than kept by Landlord.

Risk Rating: High

- This section heavily burdens Tenant: it funds, insures, and risks construction but does not control insurance proceeds. For a buyer acquiring the business, these obligations create substantial financial exposure,

especially if improvements were recently constructed or if new build-outs are needed.

Shall I continue with **Article VIII (Obligations for Repairs)** next?

PROMPT: *Yes*

Here's the analysis of the **next chunk (Article VIII: Obligations for Repairs)**.

Summary of Section:

Section 1 – Landlord's Repairs

- Landlord is only required to repair defects in materials or workmanship **during the first 12 months of the lease**. After that, Landlord has no ongoing repair obligation except as otherwise stated.

Section 2 – Tenant's Repairs

- Tenant must repair and maintain the premises in good order and condition, except for:
 - reasonable wear and tear,
 - Landlord's limited repair obligations in Section 1, and
 - repairs caused by Landlord's negligence.

Section 3 – Requirements of Law

- If government requires alterations or repairs due to pre-existing or latent conditions (as of commencement date), Landlord must make them at its expense, and rent abates if Tenant loses use.
- If government requires changes due to Tenant's obligations or alterations, Tenant bears the cost, with no rent abatement.

Section 4 – Tenant's Alterations

- Tenant may make non-structural alterations at its expense without landlord consent, as long as structural soundness/value isn't impaired.
- Structural alterations/additions require landlord's written consent (not to be unreasonably withheld).
- Tenant bears responsibility for environmental remediation as if it were a structural alteration.

Section 5 – Permits and Expenses

- Each party must obtain permits for their respective repairs/alterations.
- Each must pay its own costs, keep premises lien-free, indemnify the other for claims, and perform work in a good, workmanlike manner.

Potentially Problematic Provisions:

1. **Landlord Repair Obligation Extremely Limited:** Landlord's duties essentially end after 12 months. Tenant is responsible for virtually all repairs thereafter, including major capital items (roof, structure, systems) unless tied to landlord's negligence.
2. **Environmental Remediation:** Tenant assumes responsibility for remediation of a portion of the premises. This is **highly unusual** and could involve significant liability.
3. **Governmental Compliance Risk:** If new compliance issues arise related to Tenant's use, Tenant bears the cost with no rent relief.
4. **Broad Tenant Responsibility for Alterations:** Even structural alterations require Tenant to pay all costs, and environmental issues are explicitly Tenant's burden.

Recommended Changes/Protections:

- **Shift Structural & Capital Repairs:** Negotiate for Landlord to remain responsible for roof, foundation, and structural systems throughout the term.
- **Limit Environmental Liability:** Clarify that Tenant is only responsible for environmental issues it causes, not pre-existing conditions or contamination unrelated to its use.
- **Expand Rent Abatement Rights:** Ensure rent abates if Tenant is deprived of use due to government-ordered changes, regardless of whether Landlord or Tenant bears responsibility.

- **Maintenance Clarity:** Add landlord obligation for building systems (HVAC, plumbing, electrical) beyond 12 months.

Risk Rating: High

- Tenant assumes near-total responsibility for repairs, structural and environmental issues, with minimal landlord obligations. For a buyer acquiring the business, this section represents a **major ongoing liability risk**.

Do you want me to continue with **Article IX (Tenant's Covenants)** next?

PROMPT: *Yes*

Here's the analysis of the **next chunk (Article IX: Tenant's Covenants)**.

Summary of Section:**Section 1 – Tenant's Covenants**

Tenant agrees to:

- **Licenses/Permits & Surrender:** Obtain any required licenses/permits for its use, and at lease end, remove its property and return the premises in good condition (except for fire/casualty damage, structural repairs, and normal wear/tear).
- **Access for Landlord:** Allow Landlord reasonable access to inspect or show the premises to prospective buyers, and provide Landlord with keys (so long as Landlord does not unreasonably interfere with operations).
- **Access for Repairs/Alterations:** Allow Landlord access to inspect repairs, improvements, alterations, or additions. Rent abates proportionally if Tenant loses use during such landlord work.

Potentially Problematic Provisions:

1. **Key Access:** Landlord must have keys to the premises. This raises potential **security and confidentiality concerns** for a business buyer (especially in regulated industries or businesses with sensitive equipment/data).

2. **Return in Good Condition:** Tenant must yield the premises in “good order, repair, and condition in all respects.” While there are carveouts, the standard is broad and could invite landlord claims for restoration at lease end.
3. **Access Rights:** While rent abates if Tenant loses use during Landlord’s repair work, the clause allows Landlord to enter relatively freely, which could cause operational disruption. The abatement provision is helpful but may not fully compensate for lost business.

Recommended Changes/Protections:

- **Key Access:** Add safeguards: landlord’s access should be limited to emergencies, inspections with advance notice, or accompanied by Tenant’s representative.
- **Surrender Condition:** Narrow surrender obligation to “good order, condition, and repair, ordinary wear and tear excepted” and expressly exclude pre-existing conditions or landlord capital items (roof, structure, systems).
- **Operational Protections:** Require Landlord to give reasonable prior written notice (e.g., 48 hours) for entry, except in emergencies. Ensure abatement explicitly covers **both rent and additional expenses** if operations are disrupted.

Risk Rating: Moderate

- Obligations here are more standard than in prior sections, but the key access and surrender condition could create **exit liabilities** or operational disruption risks for a buyer acquiring the business.

Shall I continue with **Article X (Indemnity by Tenant)** next?

PROMPT: *Yes*

Here’s the analysis of the **next chunk (Article X: Indemnity by Tenant)**.

Summary of Section:**Section 1 – Indemnity and Public Liability**

- Tenant must indemnify and hold Landlord harmless from all injury, loss, claims, or damage to persons or property on the leased premises, **unless caused by Landlord's willful acts, omissions, or gross negligence.**
- Tenant must maintain public liability insurance with minimum limits of **\$1,000,000 per occurrence for injury/death** and **\$250,000 for property damage**, covering both Landlord and Tenant.
- Tenant must deliver a copy or certificate of the policy to Landlord before commencement.
- Policy cannot be canceled without 10 days' written notice to Landlord.

Potentially Problematic Provisions:

1. **Broad Tenant Indemnity:** Tenant indemnifies Landlord for nearly all claims, except those caused by Landlord's willful or gross negligence. This means Landlord is shielded even for **ordinary negligence** — an unusually landlord-favorable allocation of liability.
2. **Insurance Limits Outdated/Low:** \$1,000,000 / \$250,000 may have been standard in 2013, but today those limits are low, particularly for a commercial property involving warehouse and power generation. A serious accident could exceed coverage, leaving Tenant directly exposed.
3. **Short Cancellation Notice:** Only 10 days' notice of cancellation is required. Standard is often 30 days.

Recommended Changes/Protections:

- **Carve Out Landlord Negligence:** Narrow indemnity so Tenant is not responsible for claims arising from Landlord's **negligence** (not just gross negligence or willful misconduct).
- **Increase Insurance Limits:** Raise liability coverage (e.g., \$2M per occurrence, \$5M aggregate, plus umbrella

coverage). Ensure limits reflect current industry norms and business risk profile.

- **Cancellation Notice:** Extend insurance cancellation notice period to at least 30 days.
- **Additional Insured Status:** Ensure Tenant's insurance explicitly names Landlord as an additional insured, but also allow Tenant to add itself as an insured on Landlord's required policies (reciprocal coverage).

Risk Rating: High

- The indemnity is very broad and combined with low insurance requirements exposes Tenant (and thus a buyer) to significant liability risk in the event of accidents or claims.

Do you want me to continue with **Article XI (Use of Property by Tenant)** next?

NOTE: I stopped here because the lease has twenty-one sections. But, I could have continued until all sections were analyzed through chunking.

APPENDIX 3

Performed: September 28, 2025

Model: ChatGPT-5

Prompt: *I am going to give you few-shot prompts then I am going to assign a task in the following prompt. Here are the few-shot prompts:*

Example 1 – Construction Loan

Input: *Draft an indemnity clause for a construction loan in favor of the lender.*

Output: *Borrower shall indemnify, defend, and hold harmless Lender and its officers, directors, employees, agents, and affiliates (collectively, the “Indemnified Parties”) from and against any and all losses, liabilities, claims, damages, costs, and expenses (including reasonable attorneys’ fees and disbursements) arising out of or related to the Loan, the Property, or any acts or omissions of Borrower or its contractors, agents, or employees. **SUCH INDEMNITY SHALL APPLY EVEN IF SUCH LOSSES ARISE FROM THE NEGLIGENCE OF ANY INDEMNIFIED PARTY.***

Example 2 – Permanent Loan

Input: *Draft an indemnity clause for a permanent loan, favoring the lender and including environmental risks.*

Output: *Borrower agrees to indemnify, defend, and hold harmless Lender and its successors and assigns from and against any and all claims, liabilities, penalties, or losses (including attorneys’ fees and court costs) arising from or relating to (i) the ownership, operation, or condition of the Property; (ii) the presence, release, or discharge of any Hazardous Substances; or (iii) Borrower’s failure to comply with any Environmental Law. **THIS INDEMNITY EXPRESSLY APPLIES TO CLAIMS ARISING FROM THE NEGLIGENCE OF LENDER OR ITS AFFILIATES.***

Example 3 – Mezzanine Loan

Input: *Draft an indemnity clause for a mezzanine loan, covering litigation-related costs and lender’s negligence.*

Output: *Borrower shall indemnify and hold harmless Lender from any losses, damages, or expenses (including reasonable*

legal fees) incurred in connection with any litigation, arbitration, or regulatory proceeding arising from the execution, delivery, enforcement, or performance of this Agreement or any related document. THIS INDEMNITY INCLUDES CLAIMS BASED ON THE SOLE OR CONCURRENT NEGLIGENCE OF LENDER.

Response:

Got it — thank you for sharing the few-shot examples. I see the pattern:

- Each input specifies the loan type and focus (construction, permanent with environmental, mezzanine with litigation costs).
- Each output is a lender-protective indemnity clause with bold/uppercase emphasis that the indemnity covers even the lender’s negligence.

Please go ahead and assign your next task, and I’ll follow this style and structure.

PROMPT: *Draft an indemnification clause for a commercial loan agreement that maximizes lender protection and includes indemnification for the lender’s own negligence.*

Here’s a strong, lender-protective indemnification clause you can use in a commercial loan agreement:

Indemnification. Borrower shall indemnify, defend, protect, and hold harmless Lender, together with its successors, assigns, officers, directors, employees, agents, affiliates, and representatives (collectively, the “Indemnified Parties”), from and against any and all claims, demands, losses, liabilities, damages, judgments, penalties, fines, costs, and expenses (including, without limitation, reasonable attorneys’ fees and disbursements and costs of investigation) arising out of, relating to, or in connection with (i) the Loan, the Loan Documents, or the transactions contemplated hereby; (ii) the ownership, operation, condition, use, sale, or disposition of any collateral securing the Loan; (iii) any breach by Borrower of its representations, warranties, covenants, or obligations under the Loan Documents; or (iv) any acts or omissions of Borrower, its affiliates, partners, members, officers, directors, employees, contractors, agents,

licensees, invitees, or tenants. THIS INDEMNITY EXPRESSLY APPLIES TO ANY CLAIMS, LOSSES, OR LIABILITIES ARISING OUT OF OR ATTRIBUTABLE TO THE NEGLIGENCE, WHETHER SOLE OR CONCURRENT, OF ANY INDEMNIFIED PARTY, **IT BEING THE EXPRESS INTENT OF BORROWER TO INDEMNIFY THE INDEMNIFIED PARTIES TO THE FULLEST EXTENT PERMITTED BY LAW.**

Do you want me to make this clause **even more aggressive** (e.g., including indemnity for strict liability, lender's breach of contract, or lender's gross negligence), or keep it within the usual "maximum enforceable" lender-protective boundaries?