

KULSHAN COMMUNITY LAND TRUST

HomeBuyer Driven Program

Ground Lease Agreement

(standard version ready for insertion of Lessee information)

Revised January 4, 2002

KULSHAN COMMUNITY LAND TRUST GROUND LEASE

THIS LEASE ("this Lease" or "the Lease") made and entered into this _____ day of _____, 20____, by and between KULSHAN COMMUNITY LAND TRUST ("KCLT"), as Lessor, and _____, as Lessee.

The following Exhibits are attached hereto and made a part of this Land Lease:

- Exhibit A - Letter(s) of Stipulation of Land Lessee
- Exhibit B - Letter of Acknowledgment of Land Lessee's Attorney
- Exhibit C - Leased Premises (Legal Description of Property)
- Exhibit D - Uniform Community Land Trust Ground Lease Rider
- Exhibit E - First Refusal
- Exhibit F - Restrictions (if applicable)
- Exhibit G - Deed And Bill Of Sale (Form of Deed to Improvements)
- Exhibit H - Permitted Mortgages
- Exhibit I - Notice of Intent to Sell (Form of Notice)

RECITALS

WHEREAS, KCLT is organized exclusively for charitable purposes, including: the development and preservation of decent, affordable housing and the creation of homeownership opportunities for low and moderate income people who otherwise would be denied such opportunities because of limited financial resources; and

WHEREAS, a goal of KCLT is to stimulate the conveyance of decent, affordable housing among low and moderate income people by providing access to housing for such persons at affordable prices through the long-term leasing of land under said housing; and

WHEREAS, the Leased Premises described in this Lease have been acquired and are being leased by KCLT in furtherance of these charitable purposes; and

WHEREAS, the Lessee shares the purposes and goals of KCLT and has agreed to enter into this Lease not only to obtain those benefits to which Lessee is entitled under this Lease, but also to further the charitable purposes of the Lessor; and

WHEREAS, Lessor and Lessee recognize the special nature of the terms and conditions of this Lease, and each of them, with the independent and informed advice of legal counsel, freely accepts these terms and conditions, including those terms and conditions that may affect the marketing and resale price of any Improvements on the Leased Premises; and

WHEREAS, it is mutually understood and accepted by Lessor and Lessee that the terms and conditions of this Lease further their shared goals over an extended period of time and through a succession of owners;

NOW THEREFORE, in consideration of the foregoing recitals of mutual promises of Lessor and Lessee, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee agree as follows:

ARTICLE 1: Letters of Stipulation and Acknowledgement

Attached and made part of this Lease by reference are Exhibit A, Letter of Stipulation of Lessee, and Exhibit B, Letter of Acknowledgement of legal counsel of Lessee, setting forth their review and understanding of this Lease (in particular, Article 10) and related documents for this transaction.

ARTICLE 2: Demise of Leased Premises

2.1 PREMISES: The Lessor, in consideration of the rents reserved and the terms and conditions of this Lease, does hereby demise and leave unto Lessee, and Lessee does hereby take and hire from Lessor, the property (referred to in this Lease as the “Leased Premises” or “Premises”) described in the attached Exhibit C, Leased Premises. Lessor has furnished to Lessee a copy of the most current, if any, title report previously obtained by Lessor for the Premises, and Lessee accepts title to the Leased Premises in their condition “as is” as of the execution of this Lease.

2.2 RESERVATION OF RIGHTS: Lessor reserves to itself all the minerals and other extractive resources including without limitation gravel and water rights. This reservation shall not diminish the right of the Lessee under this Lease to occupy and freely use the Leased Premises. Any eventual extraction by the Lessor of minerals or other extractive resources shall be carried out with as little disruption to the Lessee as is reasonably possible. In instances requiring a material disruption of the Lessee’s right of use and occupancy of the Leased Premises, the Lessor shall not make such extraction without the written consent of the Lessee.

ARTICLE 3: Duration of Lease

3.1 PRINCIPAL TERM: The term of this Lease shall be ninety-nine (99) years, commencing on the ___ day of _____, 20___, and terminating on the _____ day of _____, 21_____, unless terminated sooner or extended as provided below.

3.2 LESSEE’S OPTION TO EXTEND: Lessee may extend the principal term of this Lease, for and in consideration of one hundred dollars (\$100.00) for one (1) additional period of ninety-nine (99) years, subject to all of the provisions of this Lease; provided that Lessor may make changes to the terms of the Lease for the renewal period prior to the beginning of such renewal period but only if these changes do not materially harm Lessee’s rights under the Lease. Not more than three hundred sixty-five (365) nor less than one hundred eighty (180) days before the last day of the current term, Lessor shall give Lessee written notice, stating the date of expiration, describing

any changes that Lessor intends to make to the terms of the lease as permitted above, and reiterating the conditions for renewal as set forth immediately below.

Lessee's right to exercise the option to extend is subject to the following conditions: (a) within sixty (60) days of receipt of Lessor's notice of impending expiration, Lessee shall give Lessor written notice, irrevocably exercising the option to extend; (b) this Lease shall be in effect at the time notice of intent to extend is given and on the last day of the term, and (c) there shall not then be an Event of Default by Lessee under this Lease or under any loan documents between Lessee and any Permitted Mortgagee.

When Lessee has rightfully exercised the option to extend, each party shall execute a memorandum, in mutually agreeable recordable form, acknowledging the fact that the option had been exercised and otherwise complying with the requirements of law for an effective memorandum or notice of lease.

3.3 CHANGE OF LESSOR; LESSEE'S RIGHT TO PURCHASE: In the event that ownership of the land on which the Leased Premises is located (the "Land") is conveyed or transferred (whether voluntarily or involuntarily) by Lessor to any other person or entity, this Lease shall not cease, but shall remain binding and unaffected. However, in the event Lessor desires or attempts to convey the Land to any person or entity other than a non-profit corporation, charitable trust, governmental agency or other similar entity sharing the goals described in the Recitals above, the Lessee shall have a right of first refusal to purchase the Land. This right shall be as specified in the attached Exhibit E, First Refusal. Any sale or other transfer contrary to this Section shall be null and void.

ARTICLE 4: Use of Leased Premises

4.1 RESIDENTIAL USE ONLY: Lessee shall use, and shall cause all occupants to use, the Leased Premises and Improvements only for residential purposes and any incidental activities related to residential use that are permitted by applicable laws and regulations. [In addition, use of the Leased Premises shall be further limited by the restrictions set forth in that attached Exhibit F, Restrictions.]

4.2 RESPONSIBLE USE AND COMPLIANCE WITH LAW: Lessee shall use the Leased Premises in a manner so as not to cause actual harm to others or create any nuisances, public or private; and shall dispose of any and all waste in a safe and sanitary manner. Lessee shall maintain the Leased Premises and Improvements in good, safe, and habitable condition in all respects except for normal wear and tear, and in full compliance with all applicable laws and regulations of any governmental authority with jurisdiction over matters concerning the condition of the Leased Premises and Improvements.

4.3 RESPONSIBLE FOR OTHERS: Lessee shall be responsible for the use of the Leased Premises by all residents and their families, friends and visitors and anyone else using the Leased Premises with their consent, and shall make all such people aware of the spirit, intent and appropriate terms of this Lease.

4.4 OCCUPANCY: Lessee shall occupy the Leased Premises for at least nine (9) months of each year of this Lease, unless otherwise agreed by Lessor. Occupancy by children or other immediate family members or dependents of Lessee shall be considered occupancy by Lessee.

4.5 INSPECTION: Lessor may inspect any portion of the Leased Premises at any reasonable time, but not more than one (1) time in a single calendar year, except as may be necessary for additional inspections in preparation for resale, and in any reasonable manner, upon at least 48 hours oral notice to Lessee. In the event of emergency, Lessor may inspect any portion of the Leased Premises without notice provided the Lessor shall have made reasonable efforts to give advance notice to Lessee.

4.6 LESSEE'S RIGHT TO PEACEFUL ENJOYMENT: Lessee has the right to undisturbed enjoyment of the Leased Premises, and Lessor has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Lessee, subject to the provisions of this Lease.

ARTICLE 5: Lease Fee

5.1 LEASE FEE: In consideration of the possession, continued use and occupancy of the Leased Premises, Lessee shall pay to Lessor a monthly Lease Fee (the "Lease Fee") of thirty-five dollars (\$ 35.00).

5.2 PAYMENT OF LEASE FEE: The Lease Fee shall be payable to Lessor, at the address specified in this Lease as Lessor's address, on the first day of each month for as long as this Lease remains in effect, unless, with Lessor's consent, the Lease Fee is to be escrowed by a mortgagee, in which case payment shall be made as specified by that mortgagee. If the Lease commences on a day other than the first of the month, a pro-rata portion of the Lease Fee shall be paid for the balance of the month at the time the Lease is executed.

In the event that any amount of payable Lease Fee remains unpaid when the Improvements are sold and the leasehold estate is transferred to another party, the amount of payable Lease Fee shall be paid to Lessor out of any proceeds of sale otherwise due to Lessee at the time of sale.

5.3 CALCULATION OF LEASE FEE: The Lease Fee specified in Section 5.1 above has been calculated as an amount equal to or less than the Lessor's actual costs of managing the Lease and providing others services to the Lessee.

5.4 REDUCTION, DELAY OR WAIVER OF LEASE FEE: Lessor may reduce, delay or waive entirely the Lease Fee at any time and from time to time for the purpose of assuring affordable monthly housing costs for the Lessee. Any such reduction, delay or waiver must be in writing and signed by Lessor before being effective.

5.5 ADJUSTMENT OF LEASE FEE: The Lease Fee stated in Section 5.1 above shall be applicable during the term of this Lease, as adjusted in the way provided below. However, in the event that, for any reason, the provisions of Article 10 or Article 11 regarding transfers of the

Improvements and the Leasehold Estate or Section 4.4 regarding occupancy are suspended or invalidated for any period of time, then during that time, the Lease Fee may be increased to an amount calculated by Lessor to equal the fair rental value of the Land for use not restricted by the provisions of the suspended portions of the Lease. In such event, Lessor shall notify Lessee of the amount calculated in this way, and the Lease Fee shall then be this amount.

In order to keep the Lease Fee reasonably current, the amount specified in Section 5.1 (and the amount specified in the preceding paragraph) shall be subject to adjustment in the year 2005 and every five years thereafter during the term of this Lease, provided any increase in the Lease Fee shall not exceed an effective annual increase of three percent (3%). At such intervals, the amount shall be recalculated through such reasonable process as the Lessor shall choose, based upon the standards set forth in Sections 5.3 and 5.4 above. Lessor shall notify Lessee promptly upon recalculation of the new Lease Fee amount, and if Lessee does not state objections to the recalculated amount within thirty (30) days after receipt of this notice, the Lease Fee shall then be as stated by Lessor in the notice. If Lessee does state objections to the recalculated Lease Fee, and Lessor and Lessee are then unable to agree on a recalculated Lease Fee within fifteen (15) days of Lessor's receipt of Lessee's objection, the dispute shall be resolved by an arbitration process set forth in RCW 7.04 or such successor law, except that the arbitrators chosen by each party shall be ones with experience in the valuation of real estate. Upon the final determination of the recalculated Lease Fee in accordance with the terms of this section, Lessor shall maintain in its file a notarized certification of the amount of such recalculated Lease Fee and the process by which it was determined.

ARTICLE 6: Taxes and Assessments

6.1 TAXES AND ASSESSMENTS Lessee shall be responsible for payment of all taxes and assessments that relate to the Improvements and the Leased Premises. Lessee shall also pay directly, when due, all other service bills, utilities charges, or other governmental assessments charged against the Leased Premises.

6.2 TAXES ON LEASED PREMISES: In the event that the local taxing authority bills Lessor for the taxes on the Leased Premises, Lessor shall pass the responsibility for this expense to Lessee and Lessee shall promptly pay this bill.

6.3 LESSEE'S RIGHT TO CONTEST: Lessee shall have the right to contest the amount or validity of any taxes relating to the Improvements and Leased Premises. Lessor shall, upon written request by Lessee, join in any such proceedings if Lessee reasonably determines that it is necessary or convenient for Lessor to do so. All other costs and expenses of such proceedings shall be paid by Lessee.

6.4 PAYMENTS IN EVENT OF DELINQUENCY: In the event that Lessee fails to pay the taxes or other charges specified in Section 6.1 above, Lessor may increase, but shall not be obligated to increase, Lessee's Lease Fee in an amount that will offset the cost of any delinquent and current

taxes or other charges relating to the Improvements and Leased Premises. Upon collecting any such amount, Lessor shall pay the amount collected to the taxing authority in a timely manner.

6.5 PROOF OF COMPLIANCE: Concurrently with the payment of any taxes, assessments, and charges required or permitted by the provisions of this Lease, each party shall furnish evidence satisfactory to the other documenting the payment. A photocopy of a paid receipt for such charges showing payment prior to the due date shall be the usual method of furnishing such evidence.

ARTICLE 7: Improvements

7.1 OWNERSHIP: It is agreed that all buildings, structures, fixtures, and other Improvements purchased by the Lessee or constructed or placed by the Lessee on any part of the Leased Premises at any time during the term of this Lease (the "Improvements") shall be property of the Lessee. Title to such Improvements shall be and remain vested in the Lessee. However, Lessee's exercise of the rights of ownership is subject to the provisions of this Lease, including but not limited to provisions regarding the disposition of Improvements by the Lessee and the Lessor's option to purchase the Improvements. In addition, Lessee shall not sever or move the Improvements from the Land.

7.2 PURCHASE OF IMPROVEMENTS BY LESSEE: Lessee is simultaneously purchasing the Improvements now located on the Leased Premises and described in the Deed, the form of which is annexed to this Lease as Exhibit G, Deed.

7.3 CONSTRUCTION AND ALTERATION: Any construction in connection with an existing or new Improvement is subject to the following conditions: (a) all costs shall be borne and paid for by the Lessee; (b) all construction shall be performed in a workerlike manner and shall comply with all applicable laws and regulations; (c) all construction shall be consistent with the permitted uses set forth in Article 4; (d) the exterior (including height) of such Improvements shall not be increased or expanded and new Improvements shall not be constructed without the prior written consent of Lessor, who, however, shall not unreasonably withhold such consent; and (e) Lessee shall furnish to Lessor a copy of any plans and all building permits for such construction prior to commencing construction.

7.4 PROHIBITION OF LIENS: No lien for services, labor or materials resulting from Lessee's construction shall attach to the Lessor's title to the Land or to Lessor's interest in the Leased Premises or to any other property owned by the Lessor. Lessee shall not permit any statutory or similar lien to be filed against the Premises, the Improvements, or any interest of Lessor or Lessee which remains more than sixty (60) days after it has been filed. Lessee shall cause any such lien to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or as otherwise permitted by law. If Lessee fails to cause such lien to be discharged within the sixty-day period, then, in addition to any other right or remedy, Lessor may, but shall not be obligated to, discharge the lien by paying the amount in question. Lessee may, at Lessee's expense, contest the validity of any such asserted lien, provided Lessee has furnished a bond in an amount sufficient

to release the Leased Premises from such lien. Any amounts paid by Lessor to discharge such liens shall be deemed to be an additional Lease Fee payable by Lessee upon demand.

7.5 MAINTENANCE AND SERVICES: Lessee shall, at Lessee's sole expense, maintain the Leased Premises and all Improvements as required by Section 4.2 above. Lessor shall not be required to furnish any services or facilities, including but not limited to heat, electricity, air conditioning or water, or to make any repairs to the Leased Premises or Improvements, and Lessee hereby assumes the sole responsibility for furnishing all services or facilities.

7.6 DISPOSITION OF IMPROVEMENTS UPON EXPIRATION OF LEASE TERM: Upon the expiration of the term of this Lease as such term may be extended or sooner terminated in accordance with this Lease, Lessee shall surrender the Improvements together with the Leased Premises to the Lessor. Ownership of the Improvements shall thereupon revert to Lessor, provided, however, that Lessor shall promptly pay to Lessee as consideration for the Improvements an amount equal to Lessor's Purchase Option Price calculated in accordance with Article 10 below, as of the time of reversion of ownership, less the total amount of any unpaid lease fee including any charges that may have been added to the lease fee in accordance with this Lease.

ARTICLE 8: Financing

8.1 PERMITTED MORTGAGE: Lessee may mortgage the Leased Premises only with the written consent of Lessor. Not less than thirty (30) days prior to the date on which Lessee, or a prospective Lessee who has contracted to purchase the improvements, requests Lessor's consent to a mortgage to be effective, Lessee or prospective Lessee shall furnish to Lessor copies of every document to be executed in connection with the transaction represented by such mortgage. Lessor may choose to consent to any mortgage, and in so doing shall designate such mortgage as a "Permitted Mortgage." However, Lessor shall be required to consent to a mortgage if (a) at the time such copies of documents are submitted and at the time proposed by Lessee or prospective Lessee for the execution of such documents, no default is then outstanding; and (b) The mortgage so submitted is a Standard Permitted Mortgage as defined in the attached Exhibit H, Permitted Mortgages. Lessee shall pay to Lessor at Lessor's option, as additional Lease Fee, all fees, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred by Lessor in connection with any Permitted Mortgage.

8.2 RIGHTS OF PERMITTED MORTGAGEE: Any holder of a Permitted Mortgage (Permitted Mortgagee) shall without requirement of consent by the Lessor have the rights identified and defined in the attached Exhibit H, Permitted Mortgages.

8.3 REMOVAL OF CERTAIN PROVISIONS PURSUANT TO FORECLOSURE: In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of the Lease, and at the election of the Permitted Mortgagee, the provisions of Article 10, Sections 10.1 through 10.6 shall be deleted

and thereupon shall be of no further force or effect as to only so much of the Security so foreclosed upon or transferred.

8.4 LESSOR'S RIGHT TO PURCHASE PURSUANT TO FORECLOSURE: In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of the Lease, upon acquisition of title to the Improvements and leasehold estate by the Permitted Mortgagee, the Permitted Mortgagee shall give the Lessor written notice of such acquisition and the Lessor shall have an option to purchase the Improvements and leasehold estate from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage; provided, however, that the Lessor gives written notice to the Permitted Mortgagee of the Lessor's intent to purchase the Improvements and leasehold estate within thirty (30) days following the Lessor's receipt of the Permitted Mortgagee's notice of such acquisition of the Improvements and leasehold estate. The Lessor shall complete the purchase of the leasehold estate within sixty (60) days of having given written notice of its intent to purchase. If the Lessor does not complete the purchase, the Permitted Mortgagee shall be free to sell the Improvements and leasehold estate to another person.

8.5 LESSOR'S RIGHT TO PROCEEDS IN EXCESS OF PURCHASE OPTION PRICE: The parties recognize that it would be contrary to the fundamental concept of this agreement and an incentive to abuse Lessee's authorization to encumber its leasehold interest with a Permitted Mortgage if Lessee could realize more than the Purchase Option Price as the result of any foreclosure of any mortgage. Accordingly Lessee hereby irrevocably assigns to Lessor any and all net proceeds of sale of Lessee's leasehold interest and interest in the Improvements remaining after payment of costs of foreclosure and satisfaction of the lien of any Permitted Mortgagee which would otherwise have been payable to Lessee, to the extent such net proceeds exceed the net proceeds that Lessee would have received had the property been sold for the Purchase Option Price established in Article 10 of this Lease, and authorizes and instructs the Permitted Mortgagee or any party conducting any sale to pay said amounts directly to Lessor.

8.6 AMENDMENTS SUBJECT TO APPROVAL BY PERMITTED MORTGAGEE: Any amendments to this Lease shall be subject to the written approval of Permitted Mortgagee, which approval shall not be unreasonably withheld or delayed. The passage of thirty (30) days after submittal to Permitted Mortgagee of a proposed amendment without approval or disapproval by Permitted Mortgagee shall be deemed approval thereof.

ARTICLE 9: Liability, Insurance, Damage and Destruction, Eminent Domain

9.1 LESSEE'S LIABILITY: Lessee assumes sole responsibility and liability to all persons and authorities related to its possession, occupancy and use of the Leased Premises.

9.2 INDEMNIFICATION OF LESSOR: Lessee shall defend, indemnify and hold Lessor harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Premises. Lessee waives all claims against Lessor for such injury or damage. However, Lessor shall remain liable (and Lessee shall not indemnify and defend Lessor against such liability or waive such claims of liability) for injury or damage due to the grossly negligent or intentional acts or omissions of Lessor or Lessor's agents or employees.

9.3 PAYMENT BY LESSOR: In the event the Lessor shall be required to pay any sum that is the Lessee's responsibility or liability, the Lessee shall reimburse the Lessor for such payment and for reasonable expenses caused thereby.

9.4 INSURANCE: Lessee shall, at Lessee's sole expense, keep all Improvements continuously insured against loss or damage from all perils including without limitation fire, flood and earthquake for the full replacement value of such Improvements.

The dollar amounts of this coverage shall be adjusted at two-year intervals, beginning on the date this Lease is signed, or upon Lessor's demand given not more often than annually, upon 30 days notice to Lessee. This adjustment shall be equal to the percentage of change (positive or negative), over the period in question, of the Consumer Price Index for urban wage earners and clerical workers for the urban area in which the land is located, or, if none, for urban areas the size of Bellingham, or such other index as reasonably measures adjustments in coverage amounts for the applicable type of insurance. Such index is maintained by the Office of Prices and Living Conditions of the Bureau of Labor Statistics, of the U.S. Department of Labor.

Lessee shall, at Lessee's sole expense, maintain continuously in effect liability insurance covering the Leased Premises and Improvements in the amounts of not less than five-hundred thousand dollars (\$500,000) for injury to or death of any one person; and five-hundred thousand dollars (\$500,000) for injury to or death of any number of persons in one occurrence; and five-hundred thousand dollars (\$500,000) for property damage. Such insurance shall specifically insure Lessee against all liability assumed under this Lease, as well as all liability imposed by law, and shall also insure Lessor as an additional insured so as to create the same liability on the part of insurer as though separate policies had been written for Lessor and Lessee.

Lessee shall provide Lessor with copies of all policies and renewals of policies. All policies shall also contain endorsements providing that they shall not be cancelled, reduced in amount or coverage or otherwise modified by the insurance carrier involved without at least thirty (30) days prior written notice to Lessor. Lessor shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance.

9.5 DAMAGE OR DESTRUCTION: Except as provided below, in the event of fire or other damage to the Improvements, Lessee shall take all steps necessary to assure the repair of such damage and the restoration of the Improvements to their condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. Lessee shall also promptly take all steps necessary to assure that the Leased Premises are safe and that the damaged Improvements do not constitute a danger to persons or property.

If Lessee, using reasonable judgment and relying on professional estimates, determines either (a) that full repair and restoration is physically impossible, or (b) that the available insurance proceeds will pay for less than eighty percent (80%) of the cost of repair and restoration, (provided Lessee has fulfilled all of the hazard insurance requirements set forth in Section 9.4 above), then Lessee may terminate this Lease by written notice to Lessor given not later than sixty (60) days after the event that caused the damage. However, such termination shall not be effective until ninety (90) days after the date upon which the notice is received by Lessor. During this forty-five- ninety (90) day period Lessor may seek an adjustment from the insurer so as to increase the available insurance proceeds to an amount covering at least eighty percent of the cost of repair and restoration. If successful in securing such adjustment, Lessor may render Lessee's termination notice null and void by written notice to Lessee within such ninety (90) day period. If Lessor fails to nullify the termination notice in this way, then this Lease shall terminate at the expiration of the ninety (90) day period, and any insurance proceeds payable to Lessee on account of such damage shall be paid as provided below.

The insurance proceeds shall be paid first to cover any expenses of collecting the proceeds. Remaining proceeds shall be paid to the Lessee (or its Permitted Mortgagee to the extent required by the Permitted Mortgage) up to the then applicable Lessor's Purchase Option Price (as of immediately prior to the damage) calculated according to the provisions of Article 10 below. The balance of such proceeds, if any, shall be paid to Lessor.

9.6 EMINENT DOMAIN AND PUBLIC DEDICATION: In the event of a taking of the Leased Premises, either in its entirety or to such extent that the Improvements are lost or damaged beyond repair, by reason of eminent domain or other action of public authority prior to the expiration of this Lease, the Lease shall terminate as of the date Lessee is required to give up possession of the Leased Premises or Improvements, and the entire amount of any award(s) paid shall be allocated in the way described in Section 9.5 above for insurance proceeds.

In the event of a taking of a portion of the Leased Premises that does not result in damage to the Improvements or substantial reduction in the usefulness or desirability of the Improvements for residential purposes, then any monetary compensation for such taking shall be allocated entirely to Lessor.

In the event of a taking of a portion of the Leased Premises that results in damage to the Improvements only to such an extent that the Improvements can reasonably be restored to a residential use consistent with this Lease, the Lessor may in its discretion allocate some or all of the monetary compensation to enable Lessee to accomplish such a restoration. Any balance remaining after or in the absence of such allocation shall be allocated as provided above for a taking of the entire Leased Premises.

Any and all proceedings brought by a party in connection with any damages as a result of any taking referred to in this Section shall be conducted at the sole expense of such party. If any provision of law requires that such proceedings be brought by or in the name of any owner or lessee of the premises, such party shall join in such proceedings or permit the same to be brought in its name. Each party agrees to do all acts and to execute all documents that may be required to enable the other to maintain such proceedings. If the party required to join in the proceedings

incurs any cost or expense in doing so, such party shall be entitled to reasonable reimbursement and this entitlement shall constitute a first charge against any award.

9.7 REASSESSMENT OF RENTAL VALUE: In the event of any taking that reduces the size of the Leased Premises but does not result in the termination of the Lease, Lessor shall reassess the fair rental value of the remaining Premises and shall adjust the Lease Fee if necessary to assure that the monthly fee does not exceed the monthly fair rental value of the premises for use as restricted by the Lease.

9.8 RELOCATION OF LESSEE: In the event of a termination of this Lease as a result of damage, destruction or taking, Lessor shall take reasonable steps to grant Lessee a leasehold interest, similar to the interest created by this Lease, in another tract that it owns, if such other tract can reasonably be made available. In accepting such a leasehold interest, Lessee agrees to contribute any proceeds or award received by Lessee to purchase or develop Improvements on such tract. Lessor's failure to supply such a leasehold interest shall not give rise to any cause of action by Lessee against Lessor.

ARTICLE 10: Transfer, Sale or Disposition of Improvements

10.1 INTENT: It is the understanding of the parties that the terms of this Lease, and in particular of this Article 10, are intended to preserve the affordability of the Improvements for lower income households and expand access to homeownership opportunities for such households.

10.2 TRANSFERS TO INCOME-QUALIFIED PERSONS: Lessee may transfer its interest in the Leased Premises or the Improvements only to an Income-Qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All such transfers shall be subject to Lessor's review and purchase option rights set forth in this Article 10. Any purported transfer done without following the procedures set forth below, except in the case of a transfer to a Permitted Mortgagee in lieu of foreclosure, shall be null and void.

"Income-Qualified Person" shall mean a person or group of persons whose household income does not exceed eighty percent (80%) of the median household income for the applicable Standard Metropolitan Statistical Area or County as calculated and adjusted for household size from time to time by the U.S. Department of Housing and Urban Development (HUD) or any successor.

10.3 TRANSFER TO LESSEE'S HEIRS: Upon (i) receipt of notice from Lessee, or (ii) receipt of notice from the executor of the decedent's estate given within ninety (90) days of the death of Lessee (or the last surviving co-owner of the Improvements), Lessor shall, unless for good cause shown, consent to a transfer of the Improvements and an assumption of this Lease to and by one or more of the possible heirs of Lessee, subject to disposition by will, and the permitted devisees shall be either:

- a) a spouse of the Lessee; or

- b) a child or children of the Lessee; or
- c) Lessee's domestic partner who is one of two people, the other being the Lessee, who maintain the same permanent residence and have a close and committed personal relationship involving shared responsibilities for each other's welfare as evidenced by financial interdependence, and expressing the intention for the relationship to be permanent.

If the gift or devise contemplated by this paragraph shall fail for any reason, then the Lessor's Purchase Option of this Paragraph 10 shall govern the sale of the Improvements.

Any other heirs, legatees or devisees of Lessee must, in addition to submitting Letters of Stipulation and Acknowledgement as provided above, demonstrate to Lessor's reasonable satisfaction that they are Income-Qualified Persons as defined above, or, if unable to do so, shall not be entitled to possession of the Leased Premises but must transfer the Leased Premises in accordance with the provisions of this Article 10.

10.4 LESSEE'S NOTICE OF INTENT TO SELL: In the event that Lessee wishes to assign its interest in the leased premises and sell the Improvements, Lessee shall notify Lessor, in writing, of such wish in form and substance similar to that of Exhibit I, Notice of Intent to Sell. Such Notice shall include a statement as to whether Lessee has identified a prospective buyer as of the date of the Notice.

10.5 APPRAISAL: At any time following receipt of Lessee's notice to sell, Lessor may notify Lessee that a market valuation of the Leased Premises and the Improvements (The Appraisal) must be commissioned by Lessee to be performed by a mutually acceptable and duly licensed appraiser. Lessee shall pay the cost of such Appraisal. The Appraisal shall be conducted by analysis and comparison of comparable properties as though title to Land and Improvements were held in fee simple absolute, disregarding the restrictions of this Lease on the use of the Land and the transfer of the Improvements. The Appraisal shall state the values contributed by the Land and by the Improvements as separate amounts. Copies of the Appraisal are to be provided to both Lessor and Lessee.

10.6 LESSEE'S RIGHT TO DESIGNATE A BUYER: Lessee may, no later than ten (10) days following receipt of the Appraisal, notify Lessor in writing that Lessee has identified a prospective buyer. If Lessee has thus identified a prospective buyer, then, within thirty (30) days of receipt of the Appraisal, Lessee shall furnish to Lessor, or cause to be furnished to Lessor, the following documents: (1) the tax return of the prospective buyer for the immediately preceding year; (2) a current verification of the prospective buyer's employment; (3) pay stubs of the prospective buyer for the three months immediately preceding the month in which these documents are submitted to the Lessor; (4) a letter of stipulation from the prospective buyer in form and substance similar to that of Exhibit A hereto; (5) a letter of acknowledgment from the prospective buyer's attorney in form and substance similar to that of Exhibit B hereto; and (6) a statement of the price and other proposed terms of sale.

No sale or other disposition shall be effective unless and until Lessor, within thirty (30) days of receipt of all of the documents listed in the paragraph above, confirms in writing that the

prospective buyer is an income qualified person who understands and accepts the terms of the Lease and that the price and other terms of sale are consistent with the terms of the Lease. If Lessor determines that the proposed buyer or proposed sale are not permitted under the terms of the Lease, then Lessor shall respond with written notice to Lessee of this determination. If Lessor fails to respond in writing within thirty (30) days of its receipt of the required documents, such failure shall be deemed to constitute approval of the sale.

Upon receipt of Lessor's approval as described above, Lessee may proceed to sell the Improvements and assign the Lease, or issue a new Lease as provided in Section 10.13 below, to the prospective buyer. Lessee shall complete such sale and assignment within sixty (60) days of receipt of approval of the proposed sale.

10.7 LESSORS' PURCHASE OPTION AND AGREEMENT TO COOPERATE: Upon receipt of an Intent to Sell Notice from Lessee, Lessor shall have the option to purchase said Improvements (the Purchase Option) at the Purchase Option Price calculated as set forth below, unless Lessee has identified a prospective buyer and is proceeding to seek approval of and to sell to such buyer in accordance with the provisions of Section 10.6 above. The Purchase Option is designed to further the purpose of preserving the affordability of the Improvements for succeeding Income-Qualified Persons while taking fair account of the investment of labor and capital by the Lessee. Lessee and Lessor agree to cooperate in furthering such purposes by facilitating the sale of the Improvements to an Income-Qualified Person. Such purposes are understood to be accomplished, without Lessor having otherwise exercised the Purchase Option, if the Improvements are sold, in accordance with Section 10.6 above, to a buyer identified by Lessee. Lessor shall not exercise the purchase option directly during such time as Lessee is proceeding to sell to a prospective buyer in accordance with Section 10.6.

10.8: EXERCISE OF LESSOR'S PURCHASE OPTION: Lessor may elect to exercise the Purchase Option within a sixty (60) day period beginning ten (10) days after Lessee's receipt of the Appraisal unless Lessee has, by such time, given notice identifying a prospective buyer. If Lessee has identified a prospective buyer but for any reason the sale to such prospective buyer cannot be completed, then Lessor may elect to exercise the Purchase Option within a sixty (60) day period beginning at such time as it is established that sale to such prospective buyer cannot be completed. In either case, Lessor shall notify Lessee in writing of its election to exercise the Purchase Option within the applicable sixty-day period.

If Lessor gives notice of election to exercise the Purchase Option, Lessor shall then complete the purchase of the Improvements within sixty (60) days of the date on which it gives such notice. If Lessor either fails to give such notice within the time permitted or fails to complete the purchase within the time permitted, the Purchase Option shall expire.

Exercise of the Purchase Option may be accomplished by Lessor's assignment of the Option to an Income-Qualified Person who then completes the purchase of the Improvements within the required period. The time permitted for the exercise of the Purchase Option may be extended by mutual agreement of Lessor and Lessee.

10.9 IF PURCHASE OPTION EXPIRES: If the Purchase Option has expired, Lessee may sell the Improvements and assign the Lease to any Income-Qualified Person, for not more than the then applicable Purchase Option Price. If, six months after the expiration of the Purchase Option, the Improvements still have not been sold, Lessee may sell the Improvements and assign the Lease, for not more than the then applicable Purchase Option Price, to any party regardless of whether that party is an Income-Qualified Person.

10.10 LESSOR'S POWER OF ATTORNEY TO CONDUCT SALE: In the event Lessor does not exercise its option to purchase as set forth above, and Lessee (a) is not then residing in the Improvements and (b) continues to hold the Improvements out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one (1) year of the giving of the Intent to Sell Notice, Lessee does hereby appoint Lessor its attorney in fact to seek a buyer, negotiate a reasonable price that furthers the goals set forth in this Lease, sell the property, and distribute proceeds of sale, minus Lessor's costs of sale and reletting and any other sums owed Lessor by Lessee.

10.11 PURCHASE OPTION PRICE: The Purchase Option Price shall be the lesser of (a) the value of the Improvements as determined by the Appraisal commissioned and conducted as provided in 10.5 above or (b) the price calculated in accordance with the formula described below (the Formula Price).

10.12 CALCULATION OF THE FORMULA PRICE: The Formula Price shall be equal to Lessee's Purchase Price, as stated below, plus 1.50% compounded annually, plus Capital Systems Replacement Value, as stated below, plus Formula-eligible Capital Improvement Value, as stated below, plus 1.5% compounded annually from the time of Capital Improvement construction, minus Excessive Damage Value, as stated below.

Lessee's Purchase Price: The parties agree that the Lessee's Purchase Price for the Improvements existing on the leased premises as of the commencement of the term of this Lease is \$_____.

Capital Systems Replacement Value: Credit will be considered for replacement of the roof, plumbing, foundation, electrical, heating and/or cooling unit(s) or sewer lines. Replacement is defined as having to install new product for at least fifty percent (50%) of the improved value of the system. Anything less than fifty percent (50%) replacement with new material will be considered a repair and thereby not eligible for consideration under this section. Allowances will be given for new materials and labor at standard construction grade. Upgrades to higher than standard materials and labor costs will be discounted to the industry standard costs. Lessor must be consulted before any replacements are made with an agreement reached between the Lessee and the Lessor on expected expenditures. Said agreement must be documented and signed by both parties with the agreement becoming a legal attachment to the lease. Notice must include any permits required by law for such replacements.

Formula-eligible Capital Improvements: The Formula Price may be adjusted by the Lessor at the request of the Lessee to reflect capital improvements, valued at \$5,000 or more, made to the Residence by the Lessee at Lessee's expense. Such capital improvements shall be limited to the addition of livable space (bedroom, bathroom, finished basement, finished attic space, porch or deck) or the addition of a garage (either attached or detached). Except for Capital Systems Replacement, other construction on the Residence shall be considered maintenance rather than capital improvement. At Lessee's request, the value of the capital improvement, as determined by sales receipts for materials used but excluding labor, or by a licensed contractor's bid, may be added to the Lessee's Formula Price to reflect the additional investment made by the Lessee. Lessee may, at Lessee's expense, contract with a mutually acceptable and duly licensed Appraiser to conduct an appraisal of the capital improvements, and the appraised value of the capital improvements may be added to the Formula Price, as stated above.

Excessive Damage Value: Excessive damage is defined as damages beyond normal wear and tear. These damages would include holes in walls, damage to major systems, severely degenerated interior or exterior painted surfaces, damages as a result of un-repaired capital systems or missing essential household fixtures that were originally a part of the edifice. Determination of excessive damage value will be at the sole discretion of the Lessor and/or its agents. Lessee may appeal excessive damage determinations to the Lessor Board of Trustees within 7 days of the assessment.

The resale formula determines the maximum price for which a home can be sold and is **NOT** a guarantee of expected sale price.

10.13 QUALIFIED PURCHASER'S CHOICE OF NEW LEASE OR ASSIGNMENT OF EXISTING LEASE: An income qualified person who purchases the Improvements in accordance with the provisions of this Article 10 shall have the option of receiving either an assignment of this Lease from the seller, with the approval of Lessor, or a new Lease from Lessor, which new Lease shall be substantially the same as this Lease in the rights, benefits and obligations assigned to Lessee and Lessor.

ARTICLE 11: ASSIGNMENT AND SUBLEASE

Except as otherwise provided in Article 8 (including Exhibit H, Permitted Mortgages) and Article 10, Lessee shall not assign, sublease, sell or otherwise convey any of Lessee's rights under this Lease without the prior written consent of the Lessor. Lessee agrees that Lessor shall have broad and full discretion to withhold such consent in order to further the mutual purposes and goals set forth in this Lease. If permission is granted, any assignment or sublease shall be subject to the following conditions.

- a) Any such assignment or sublease shall be subject to all of the terms of this Lease.
- b) In the case of a sublease, the rental or occupancy fee charged the sublessee shall not be more than that amount charged the Lessee by the Lessor, plus an amount approved by Lessor to cover costs to Lessee for the Improvements.

c) In the case of an assignment, the total consideration for such assignment and the related sale or transfer of the Improvements shall not exceed the Purchase Option Price as calculated in accordance with Article 10 above.

ARTICLE 12: DEFAULT

12.1 MONETARY DEFAULT BY LESSEE: It shall be an event of default if Lessee fails to pay the Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Lessee or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee. However, if during such initial thirty (30) day period, the Lessee shall make a good faith partial payment to the Lessor of at least two-thirds (2/3) of the amount of Lease Fee owed to the Lessor, then such period shall be extended one (1) additional thirty (30) day period. The full amount of the delinquent Lease Fee or other charges must be paid at the end of this additional period. This paragraph may be used to extend payment deadlines no more than once in every twelve month period.

12.2 NON-MONETARY DEFAULT BY LESSEE: It shall be an event of default if Lessee fails to abide by any other material term or condition in this Lease, and such failure is not cured by Lessee or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee. However, in the case where the Lessee or Permitted Mortgagee has commenced to cure such default within such sixty (60) day period and is continuing such cure with all due diligence but cannot by the exercise of due diligence cure such default within such period, such period shall be extended for such additional period as may be reasonably required under the circumstances to complete such cure.

12.3 DEFAULT BY LESSEE RESULTING FROM JUDICIAL PROCESS: It shall be an event of default if the estate hereby created is taken on execution or by other process of law, or if Lessee is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Lessee for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of Lessee's property by a court of competent jurisdiction, or if a petition is filed for the reorganization of Lessee under any provisions of the Bankruptcy Act now or hereafter enacted, or if Lessee files a petition for such reorganization, or for arrangements under any provision of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for payment of debts.

12.4 TERMINATION: In the case of any of the events of default described above, Lessor may terminate this Lease and initiate summary proceedings against Lessee. Pursuant to such proceedings, without demand or notice, Lessor may enter any part of the Leased Premises and repossess the entire Leased Premises, and expel Lessee and those claiming rights through Lessee and remove their effects without being guilty of any manner of trespass, and without prejudice to

any remedies which might otherwise be used for arrears of rent or preceding breach of covenant. If this Lease is terminated by Lessor, or if Lessor re-enters the Leased Premises pursuant to an Event of Default, the Lessee agrees to pay and be liable for any unpaid Lease Fee, damages which may be due or sustained prior to or in connection with such termination or re-entry, and all reasonable costs, fees and expenses (including, without limitation, reasonable attorneys' fees) incurred by Lessor in pursuit of its remedies under this Lease.

If Lessor elects to terminate the Lease, then the Permitted Mortgagee shall have the right (subject to Article 8 above) to postpone and extend the specified date for the termination of the Lease for a period sufficient to enable the Permitted Mortgagee or its designee to acquire Lessee's interest in the Lease by foreclosure of its mortgage or otherwise.

12.5 DEFAULT BY LESSOR: Lessor shall in no event be in default in the performance of any of its obligations under the Lease unless and until Lessor has failed to perform such obligations within sixty (60) days, or such additional time as is reasonably required to correct any default, after notice by Lessee to Lessor properly specifying Lessor's failure to perform any such obligation.

ARTICLE 13: Dispute Resolution

13.1 All disputes arising out of this Lease shall be resolved in the Courts of the State of Washington in and for Whatcom County, or such successor Courts. This Lease and all disputes arising out of this Lease shall be governed by the laws of the State of Washington in effect when the dispute is to be decided, unless this will work a manifest injustice, in which case the law in effect at the time the dispute began shall be used.

At the option of either the Lessor or the Lessee, any dispute may be arbitrated under RCW 7.04 or such successor law.

ARTICLE 14: General Provisions

14.1 LESSEE'S MEMBERSHIP IN KCLT: The Lessee under this Lease shall automatically be a regular voting member of the KCLT.

14.2 NOTICES: Whenever this Lease requires either party to give notice to the other, the notice shall be given in writing and delivered in person or mailed, by certified or registered mail, return receipt requested, to the party at the address set forth below, or such other address designated by like written notice:

If to Lessor: Kulshan Community Land Trust, 215 W. Holly Street, Suite H-22, Bellingham, WA 98225, with a copy to: Raas, Johnsen & Stuen, 1503 E Street, Bellingham, WA 98225

If to Lessee: _____ (name of Lessee)

All notices, demands and requests shall be effective upon being deposited in the United States Mail or, in the case of personal delivery, upon actual receipt.

14.3 NO BROKERAGE: Lessee warrants that it has not dealt with any broker other than _____ in connection with the consummation of this Lease, and in the event any claim is made against Lessor relative to dealings with brokers other than _____, Lessee shall defend the claim against Lessor with counsel of Lessor's selection and save harmless and indemnify Lessor on account of loss, cost or damage which may arise by reason of any such claim.

14.4 SEVERABILITY AND DURATION OF LEASE: If any part of this Lease is unenforceable or invalid, such material shall be read out of this Lease and shall not affect the validity of any other part of this Lease or give rise to any cause of action of Lessee or Lessor against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law. It is the intention of the parties that their respective options to purchase and all other rights under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and such options and other rights shall be considered to be coupled with an interest. In the event any such option or right shall be construed to be subject to any rule of law limiting the duration of such option or right, the time period for the exercising of such option or right shall be construed to expire ninety-nine (99) years from the date of this Lease.

14.5 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article 10 of this Lease shall, for any reason, become unenforceable, Lessor shall nevertheless have a right of first refusal to purchase the Improvements at the highest documented bona fide purchase price offer made to Lessee. Such right shall be as specified in Exhibit E, First Refusal. Any sale or transfer contrary to this Section, when applicable, shall be null and void.

14.6 WAIVER: The waiver by Lessor at any given time of any term or condition of this Lease, or the failure of Lessor to take action with respect to any breach of any such term or condition, shall not be deemed to be a waiver of such term or condition with regard to any subsequent breach of such term or condition, or of any other term or condition of the Lease. Lessor may grant waivers in the terms of this Lease, but such waivers must be in writing and signed by Lessor before being effective.

The subsequent acceptance of Lease Fee payments by Lessor shall not be deemed to be a waiver of any preceding breach by Lessee of any term or condition of this Lease, other than the failure of the Lessee to pay the particular lease fee so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such lease fee payment.

14.7 LESSOR'S RIGHT TO PROSECUTE OR DEFEND: Lessor shall have the right, but shall be under no obligation, to prosecute or defend, in its own or the Lessee's name, any actions or proceedings appropriate to the protection of its title to, and Lessee's perpetual interest in the Leased Premises. Whenever requested by Lessor, Lessee shall give Lessor all reasonable aid in any such action or proceeding.

14.8 CONSTRUCTION: Whenever in this Lease a pronoun is used it shall be construed to represent either the singular or the plural, masculine or feminine, as the case shall demand.

14.9 CAPTIONS AND TABLE OF CONTENTS: The captions and table of contents appearing in this Lease are for convenience only, and are not a part of this Lease and do not in any way limit or amplify the terms or conditions of this Lease.

14.10 PARTIES BOUND: This Lease sets forth the entire agreement between Lessor and Lessee with respect to the leasing of the Land; it is binding upon and inures to the benefit of these parties and, in accordance with the provisions of this Lease, their respective successors in interest. This Lease may be altered or amended only by written notice executed by Lessor and Lessee or their legal representatives or, in accordance with the provisions of this Lease, their successors in interest.

14.11 GOVERNING LAW: This Lease shall be interpreted in accordance with and governed by the laws of Washington. The language in all parts of this Lease shall be, in all cases, construed according to its fair meaning and not strictly for or against Lessor or Lessee.

14.12 RECORDING: The parties agree, as an alternative to the recordation of this Lease, to execute a so-called Notice of Lease or Short Form Lease in form recordable and complying with applicable law and reasonably satisfactory to Lessor's attorneys. In no event shall such document set forth the rent or other charges payable by Lessee under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease, and is not intended to vary the terms and conditions of this Lease.

Exhibit A LETTER OF STIPULATION

(A letter substantially equivalent to the following example shall be attached to and made a part of the Ground Lease Agreement)

To Kulshan Community Land Trust ("the KCLT")

Date: _____

This letter is given to the KCLT to become an exhibit to a Lease between the KCLT and me. I will be leasing a parcel of land from the KCLT and will be buying the home that sits on that parcel of land. I will therefore become what is described here as a "KCLT homeowner."

My legal counsel, _____, has explained to me the terms and conditions of the Lease and other legal documents that are part of this transaction. I understand the way these terms and conditions will affect my rights as a KCLT homeowner, now and in the future.

In particular I understand and agree with the following points.

One of the goals of the KCLT is to keep KCLT homes affordable for lower income households during the sale from one KCLT homeowner to the next. I support this goal as a KCLT homeowner and as a member of the KCLT.

The terms and conditions of my Lease will keep my home affordable for future "income-qualified persons" (as defined in the lease). If and when I want to sell my home, the lease requires that I sell it either to the KCLT or to another income-qualified person. The terms and conditions of the lease also limit the price for which I can sell the home, in order to keep it affordable for such income-qualified persons.

It is also a goal of the KCLT to promote resident ownership of KCLT homes. For this reason, my Lease requires that, if I and my family move out of our home permanently, we must sell it. We cannot continue to own it as absentee owners.

I understand that I can leave my home to my child or children or other members of my household and that, after my death, they can own the home for as long as they want to live in it and abide by the terms of the Lease, or they can sell it on the terms permitted by the Lease.

As a KCLT homeowner and a member of the KCLT, it is my desire to see the terms of the Lease and related documents honored. I consider these terms fair to me and others.

Sincerely, *(signed and dated by lessee(s))*

Exhibit B LETTER OF ACKNOWLEDGEMENT OF LAND LESSEE'S ATTORNEY

Intentionally left blank in the Master Ground Lease Agreement

(A letter from the lessee(s)'s attorney shall be attached to and made a part of the Ground Lease Agreement)

Exhibit C LEASED PREMISES (LEGAL DESCRIPTION OF THE PROPERTY)

Intentionally left blank in the Master Ground Lease Agreement

(Each lease shall insert the full legal description of the property subject to Lease)

Exhibit D UNIFORM COMMUNITY LAND TRUST GROUND LEASE RIDER

(The Fannie Mae-approved document known as the Uniform Community Land Trust Ground Lease Rider shall be signed, dated, notarized, inserted here as Exhibit D and made a part of the Lease. Lessee shall have reviewed Uniform Community Land Trust Ground Lease Rider prior to closing along with other documents, as noted in Exhibit A above.)

Exhibit E FIRST REFUSAL

Whenever any party under the Ground Lease shall have a right of first refusal as to certain property, the following procedures apply. If the owner of the property offering it for sale or lease ("Offering Party") shall within the term of the Ground Lease receive a bona fide third party offer to purchase or lease the property, which such Offering Party is willing to accept, the holder of the right of first refusal (the "Holder") shall have the following rights:

(a) Offering Party shall give written notice (the "Notice") of such offer to Holder setting forth (i) the name and address of the prospective purchaser thereof, (ii) the purchase price offered by the prospective purchaser and (iii) all other terms and conditions of the sale. Holder shall have a period of ninety (90) days after the receipt of the Notice containing the offer (the "Election Period") within which to elect to purchase the property on the same terms and conditions, including the purchase price set forth in the Notice. Such election shall be made by a written notice given to the Offering Party within the Election Period.

(b) If Holder makes the election to purchase the property, such purchase shall be made within ninety (90) days after such election shall have been made by Holder (or if the Notice shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice, including payment of the purchase price provided therein.

(c) Should Holder fail to make any election within the Election Period, then the Offering Party shall have the right (subject to any other applicable restrictions in the Ground Lease) to go forward with the sale which the Offering Party desires to accept, and to sell the property within one (1) year following the expiration of the Election Period on terms and conditions which are not materially more favorable to the purchaser than those set forth in the Notice. If the sale is not consummated within such one (1) year period, the Offering Party's right so to sell shall end, and all of the foregoing provisions of this section shall be applied again to any future offer, all as aforesaid. If a sale is consummated within such one (1) year period, the purchaser shall purchase subject to a renewed right of first refusal in said property.

Exhibit F RESTRICTIONS

Intentionally left blank in the Master Ground Lease

(Each lease shall insert any restrictions, conditions or covenants that shall apply to the use of the Leased Premises, as provided for in Article 4 of the Lease.)

Exhibit G DEED AND BILL OF SALE (FORM OF DEED TO IMPROVEMENTS)

Intentionally left blank in the Master Ground Lease Agreement

(Each lease shall insert the deed and bill of sale for the Improvements on the Leased Premises)

Exhibit H PERMITTED MORTGAGES

The provisions set forth in this Exhibit shall be understood to be provisions of Article 8 of the Lease to which the Exhibit is attached and in which the Exhibit is referenced. All terminology used in this Exhibit shall have the meaning assigned to it in the Lease.

A) **STANDARD PERMITTED MORTGAGE:** A "Standard Permitted Mortgage," as identified in Section 8.1 of the Lease to which this Exhibit is attached shall be a mortgage that meets the following requirements.

1) Such Mortgage shall run in favor of either (a) a so-called "institutional lender" such as, but not limited to, a federal, state, or local housing finance agency, a bank (including savings and loan association or insured credit union), an insurance company, a pension and/or profit-sharing fund or trust, or any combination of the foregoing, the policies and procedures of which institutional lender are subject to direct governmental supervision, or (b) a "community development financial institution" as certified by the U.S. Department of the Treasury, or similar non-profit lender to housing projects for low and moderate income persons.

2) Such Mortgage shall be a first lien on all or any of the Improvements and Leasehold Estate (the "Security").

3) Such Mortgage shall provide, among other things, that in the event of a default in any of the mortgagor's obligations thereunder, the holder of such Mortgage shall notify Lessor of such fact and Lessor shall have the right (but shall not have the obligation) within 120 days after its receipt of such notice, to cure such default in the mortgagor's name and on mortgagor's behalf, provided that current payments due the holder during such 120 day period (or such lesser time period as may have been required to cure such default) are made to the holder, and shall further provide that said holder shall not have the right, unless such default shall not have been cured within such time, to accelerate the note secured by such Mortgage or to commence to foreclose under the Mortgage on account of such default.

4) Such Mortgage shall provide, among other things, that if after such cure period the holder intends to accelerate the note secured by such Mortgage or initiate foreclosure proceedings under the Mortgage, in accordance with the provisions of this Lease, the holder shall first notify Lessor of its intention to do so and Lessor shall have the right, but not the obligation, upon notifying the holder within thirty (30) days of receipt of said notice from said holder, to pay off the indebtedness secured by such Mortgage and to acquire such Mortgage.

5) Such Mortgage and related documentation shall not contain any provisions other than provisions generally contained in mortgages used for similar transactions in the Whatcom County area by institutional mortgagees.

6) Such Mortgage and related documentation shall not contain any provisions which could be construed as rendering Lessor or any subsequent holder of the Lessor's interest in and to this

Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt evidenced by such note and such Mortgage or any part thereof.

7) Such Mortgage and related documentation shall contain provisions to the effect that the holder of such Mortgage shall not look to Lessor or Lessor's interest in the Leased Premises, but will look solely to Lessee, the leasehold estate created hereby, the Improvements, or such other buildings and improvements which may from time to time exist on the Leased Premises, for the payment of the debt secured thereby or any part thereof (It is the intention of the parties hereto that Lessor's consent to such Mortgage shall be without any liability on the part of Lessor for any deficiency judgment).

8) Such Mortgage and related documentation shall provide that in the event any part of the Security is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the holder of the Mortgage in accordance with the provisions of Article 9 hereof.

9) Such Mortgage and related documentation shall contain nothing that obligates Lessor to execute an assignment of the Lease Fee or other rent payable by Lessee under the terms of this Lease.

B) RIGHTS OF PERMITTED MORTGAGEE: The rights of a holder of a Permitted Mortgage (Permitted Mortgagee) as referenced under Section 8.2 of the Lease to which this Exhibit is attached shall be as set forth below.

1) A Permitted Mortgagee shall without requirement of consent by the Lessor have the right, but not the obligation, to:

a) cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance by a Permitted Mortgagee being effective as if it had been undertaken and performed by Lessee;

b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Lessee by this Lease or otherwise by law, subject to the provisions, if any, in said Permitted Mortgage, which may limit any exercise of any such right, remedy or privilege; and

c) rely upon and enforce any provisions of the Lease to the extent that such provisions are for the benefit of a Permitted Mortgagee.

2) Permitted Mortgagee shall not, as a condition to the exercise of its rights under the Lease, be required to assume personal liability for the payment and performance of the obligations of the Lessee under the Lease. Any such payment or performance or other act by Permitted Mortgagee under the Lease shall not be construed as an agreement by Permitted Mortgagee to assume such personal liability except to the extent Permitted Mortgagee actually takes possession of the Security and the premises. In the event Permitted Mortgagee does take possession of the Security and thereupon transfers the Security, any such transferee shall be required to enter into a written agreement assuming such personal liability and upon any such assumption the Permitted Mortgagee shall automatically be released from personal liability under the Lease.

3) In the event that title to the estates of both Lessor and Lessee shall be acquired at any time by the same person or persons, no merger of these estates shall occur without the prior written declaration of merger by Permitted Mortgagee, so long as Permitted Mortgagee owns any interest

in the Security or in a Permitted Mortgage. In the event that the estate of Lessor is owned at any time by Lessee (regardless of a merger), or by any person in which Lessee has a direct or indirect interest, Permitted Mortgagee shall not be obligated to cure any default of Lessee under the Lease as condition to the forbearance by Lessor in the exercise of Lessor's remedies as provided in the Lease.

4) If the Lease is terminated for any reason, or in the event of the rejection or disaffirmance of the Lease pursuant to bankruptcy law or other law affecting creditors' rights, Lessor shall enter into a new lease of the Leased Premises with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to Lessor's approval, which approval shall not be unreasonably withheld), not more than thirty (30) days after the request of the Permitted Mortgagee. Such lease shall be for the remainder of the term of the Lease, effective as of the date of such termination, rejection or disaffirmance, and upon all the terms and provisions contained in the Lease. However, the Permitted Mortgagee shall make a written request to Lessor for such new lease within sixty (60) days after the effective date of such termination, rejection or disaffirmance, as the case may be. Such written request shall be accompanied by a copy of such new lease, duly executed and acknowledged by the Permitted Mortgagee or the party designated by the Permitted Mortgagee to be the Lessee thereunder, and the Permitted Mortgagee shall have cured all defaults under the Lease that can be cured by the payment of money. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Premises as the Lease. The provisions of this Section shall survive the termination, rejection or disaffirmance of the Lease and shall continue in full effect thereafter to the same extent as if this Section were independent and an independent contract made by Lessor, Lessee and the Permitted Mortgagee.

5) The Lessor shall have no right to terminate the Lease during such time as the Permitted Mortgagee has commenced foreclosure in accordance with the provisions of the Lease and is diligently pursuing the same.

6) In the event that Lessor sends a notice of default under the Lease to Lessee, Lessor shall also send a notice of Lessee's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Section 14.2 of the Lease to the Permitted Mortgagee at the address that has been given by the Permitted Mortgagee to Lessor by a written notice to Lessor sent in the manner set forth in said Section 14.2 of the Lease.

Exhibit I NOTICE OF INTENT TO SELL (FORM OF NOTICE)

(Any notice of intent to sell, as described in Article 10 of the Lease shall be in a form substantially equivalent to the example here.)

NOTICE OF INTENT TO SELL

I, the undersigned Lessee of _____,
(street address)

am hereby giving Kulshan Community Land Trust (KCLT) notice of Intent to Sell as outlined in Section 10 of the Ground Lease. The terms and conditions of such intended sale are as follows:

I understand that after KCLT's receipt of this notice, it may notify me that a market valuation of the Leased Premises and the Improvements (an appraisal) must be commissioned, as provided for in Article 10.5 of the Lease. I further understand that KCLT shall either:

1. exercise its option to purchase on the terms and within the time period set forth in Section 10 of the Ground Lease; or
2. locate an interested buyer and obtain from such buyer a binding commitment to purchase from Lessee; or
3. notify me that I must present to KCLT a buyer who is qualified in accordance with the terms of this lease.

Lessee (Date)

Lessee (Date)