

When Recorded, Please Mail to:

Kulshan Community Land Trust
1303 Commercial Street, Suite 6
Bellingham, WA 98225

KULSHAN COMMUNITY LAND TRUST GROUND LEASE

Grantor(s): Kulshan Community Land Trust

Grantee(s): Homeowner Name

Assessor's Tax Parcel Number: Reference number of document(s) assigned or released: xxxxxx xxxxxx xxxx

Legal Description:

Full Legal Description.

Situate in Whatcom County, Washington.

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- Exhibit ___ LEASED LAND
- Exhibit ___ DEED
- Exhibit ___ PERMITTED MORTGAGES
- Exhibit ___ FIRST REFUSAL
- Exhibit ___ COMMUNITY LAND TRUST GROUND LEASE RIDER

Other Exhibits to be Attached as Appropriate

- Exhibit ___ ZONING
- Exhibit ___ RESTRICTIONS
- Exhibit ___ INITIAL APPRAISAL

THIS LEASE (“this Lease” or “the Lease”) entered into this _____ day of _____, 20____, between KULSHAN COMMUNITY LAND TRUST (“KULSHANCLT”) and _____ and _____ (“Homeowner”).

RECITALS

A. The KulshanCLT is organized exclusively for charitable purposes, including the purpose of providing homeownership opportunities for low and moderate income people who would otherwise be unable to afford homeownership.

B. A goal of the KulshanCLT is to preserve affordable homeownership opportunities through the long-term leasing of land under owner-occupied homes.

C. The Leased Land described in this Lease has been acquired and is being leased by the KulshanCLT in furtherance of this goal.

D. The Homeowner shares the purposes of the KulshanCLT and has agreed to enter into this Lease not only to obtain the benefits of homeownership, but also to further the charitable purposes of the KulshanCLT.

E. Homeowner and KulshanCLT recognize the special nature of the terms of this Lease, and each of them accepts these terms, including those terms that affect the marketing and resale price of the property now being purchased by the Homeowner.

F. Homeowner and KulshanCLT agree that the terms of this Lease further their shared goals over an extended period of time and through a succession of owners.

NOW THEREFORE, Homeowner and KulshanCLT agree on all of the terms and conditions of this Lease as set forth below.

DEFINITIONS: Homeowner and KulshanCLT agree on the following definitions of key terms used in this Lease.

Bankruptcy: Any action under the Bankruptcy laws of the United States, as now in force or as amended, any general assignment for the benefit of creditors, any action under the laws of the State of Washington seeking a receivership, conservatorship or similar divestment of ownership and control of the Homeowner’s rights under this Lease or similar action under the laws of any state or country.

Base Price: the total price that is paid for the Home by the Homeowner. The contract price not including subsidy in the form of deferred loans or grants to the Homeowner.

Capital systems: The roof, plumbing, foundation, electrical, heating unit, sewer line, insulation, or windows which are part of the permanent structures upon the leased land.

Event of Default: Any violation of the terms of the Lease unless it has been corrected (“cured”) by Homeowner or the holder of a Permitted Mortgage in the specified period of time after a written Notice of Default has been given by KULSHANCLT, and as further defined in Article 12 of this Lease.

Home: the residential structure and other permanent improvements located on the Leased Land and owned by the Homeowner, including both the original Home described in Exhibit ___: DEED, and all permanent improvements added thereafter by Homeowner at Homeowner’s expense.

KULSHAN CLT: Kulshan Community Land Trust, a Washington non-profit corporation, or any successor in interest thereto which has assumed the rights, duties and responsibilities of Kulshan Community Land Trust under this Lease.

Lease: This Lease, together with all Exhibits, Attachments and amendments hereto.

Lease Fee: The monthly fee that the Homeowner pays to the KulshanCLT for the continuing use of the Leased Land and any additional amounts that the KulshanCLT charges to the Homeowner for reasons permitted by this Lease.

Leased Land: the parcel of land, described in Exhibit ___: LEASED LAND, that is leased to the Homeowner.

Permitted Mortgage: A mortgage or deed of trust on the Home and the Homeowner's right to possess, occupy and use the Leased Land granted to a lender by the Homeowner with the KulshanCLT's Permission, as further defined in Article 8, below, and in the EXHIBIT ___ PERMITTED MORTGAGES.

Purchase Option Price: the maximum price the Homeowner is allowed to receive for the sale of the Home and the Homeowner's right to possess, occupy and use the Leased Land, as defined in Article 10 of this Lease.

ARTICLE 1: Homeowner's Letter of Agreement and Attorney's Letter of Acknowledgment are Attached as Exhibits.

Attached as Exhibit ___ HOMEOWNER'S LETTER OF AGREEMENT AND ATTORNEY'S LETTER OF ACKNOWLEDGMENT and made part of this Lease by reference are a Letter of Agreement from the Homeowner, describing the Homeowner's understanding and acceptance of this Lease (including the parts of the Lease that affect the resale of the Home), and a Letter of Acknowledgment from the Homeowner's attorney, describing the attorney's review of the Lease with the Homeowner.

ARTICLE 2: Leasing of Rights to the Land

2.1 KULSHANCLT LEASES THE LAND TO HOMEOWNER: The KULSHANCLT hereby leases to the Homeowner, and Homeowner hereby accepts, the right to possess, occupy and use the Leased Land (described in the attached Exhibit ___ LEASED LAND) in accordance with the terms of this Lease. KulshanCLT has furnished to Homeowner a copy of the most current title report, if any, obtained by KulshanCLT for the Leased Land, and Homeowner accepts title to the Leased Land in its condition "as is" as of the signing of this Lease.

2.2 MINERAL RIGHTS NOT LEASED TO HOMEOWNER: KulshanCLT does not lease to Homeowner the right to remove from the Leased Land any minerals lying beneath the Leased Land's surface. Ownership of such minerals remains with the KulshanCLT, but the KulshanCLT shall not remove any such minerals from the Leased Land without the Homeowner's written permission.

ARTICLE 3: Term of Lease, Change of Land Owner

3.1 TERM OF LEASE IS 99 YEARS: This Lease shall remain in effect for 99 years, beginning on the ___ day of _____, 20___, and ending on the _____ day of _____, 21___, unless ended sooner or renewed as provided below.

3.2 HOMEOWNER CAN RENEW LEASE FOR ANOTHER 99 YEARS: Homeowner may renew this Lease for one additional period of 99 years. The KulshanCLT may change the terms of the Lease for the renewal period prior to the beginning of the renewal period but only if these changes do not materially and adversely interfere with the rights possessed by Homeowner under the Lease. Not more than 365 nor less than 180 days before the last day of the first 99-year period, KulshanCLT shall give Homeowner a written notice that states the date of the expiration of the first 99-year period and the conditions for renewal as set forth in the following paragraph ("the Expiration Notice"). The Expiration Notice shall also describe any changes that KulshanCLT intends to make in the Lease for the renewal period as permitted above.

The Homeowner shall then have the right to renew the Lease only if the following conditions are met: (a) within 60 days of receipt of the Expiration Notice, the Homeowner shall give KulshanCLT written notice stating the Homeowner's desire to renew ("the Renewal Notice"); (b) this Lease shall be in effect on the last day of the original 99-year term, and (c) the Homeowner shall not be in default under this Lease as described in Article 12 of this Lease or under any Permitted Mortgage on the last day of the original 99-year term.

When Homeowner has exercised the option to renew, Homeowner and KulshanCLT shall sign a memorandum stating that the option has been exercised. The memorandum shall comply with the requirements for a notice of lease as stated in Section 14.12 below. The KulshanCLT shall record this memorandum promptly after the beginning of the renewal period, in accordance with the requirements of law then in effect regarding recording of documents.

3.3 WHAT HAPPENS IF KULSHANCLT DECIDES TO SELL THE LEASED LAND: If ownership of the Leased Land is ever transferred by KulshanCLT (whether voluntarily or involuntarily) to any other person or institution, this Lease shall not cease, but shall remain binding on the new land-owner as well as the Homeowner. If KulshanCLT agrees to transfer the Leased Land to any person or institution other than a non-profit corporation, charitable trust, government agency or other similar institution sharing the goals described in the Recitals above, the Homeowner shall have a right of first refusal to purchase the Leased Land. The details of this right shall be as stated in the attached Exhibit FIRST REFUSAL. Any sale or other transfer contrary to this Section 3.3 shall be null and void.

ARTICLE 4: Use of Leased Land

4.1 HOMEOWNER MAY USE THE HOME ONLY FOR RESIDENTIAL AND RELATED PURPOSES: Homeowner shall use, and allow others to use, the Home and Leased Land only for residential purposes and any activities related to residential use that were permitted by local zoning law when the Lease was signed, as indicated in the attached Exhibit ZONING. Homeowner shall not apply for or support a change in the current zoning or permitted land use without the written permission of Kulshan CLT, which permission shall not be unreasonably withheld.

4.2 HOMEOWNER MUST USE THE HOME AND LEASED LAND RESPONSIBLY AND IN COMPLIANCE WITH THE LAW: Homeowner shall use the Home and Leased Land in a way that will not cause harm to others or create any public nuisance. Homeowner shall dispose of all waste in a safe and sanitary

manner. Homeowner shall maintain all parts of the Home and Leased Land in safe, sound and habitable condition, free of excessive damage and in full compliance with all laws and regulations, and in the condition that is required to maintain the insurance coverage required by Section 9.4 of this Lease. Excessive damage is defined as damages beyond normal wear and tear. Such excessive damage may be described as, but not necessarily be limited to holes in walls, damaged or neglected floor coverings and capital systems, severely degenerated interior or exterior painted surfaces, damage resulting from neglected 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 KulshanCLT and/or its agents. Homeowner may appeal excessive damage value determinations to the KulshanCLT Board of Trustees within 7 days of the determination. The Board of Trustees shall promptly consider such an appeal and render its decision in writing to the Homeowner. The decision of the Board of Trustees shall be final for Kulshan CLT.

4.3 HOMEOWNER IS RESPONSIBLE FOR USE BY OTHERS: Homeowner shall be responsible for the use of the Home and Leased Land by all residents and visitors and anyone else using the Leased Land with Homeowner's permission and shall make all such people aware of the restrictions on use set forth in this Lease.

4.4 HOMEOWNER MUST OCCUPY THE HOME FOR AT LEAST 9 MONTHS EACH YEAR: Homeowner shall occupy the Home for at least nine (9) months of each year of this Lease, unless otherwise agreed in writing by KulshanCLT. Occupancy by Homeowner's child, spouse, domestic partner or other persons approved by KulshanCLT shall be considered occupancy by Homeowner. Neither compliance with the occupancy requirement nor KulshanCLT's permission for an extended period of non-occupancy constitutes permission to sublease the Leased Land and Home, which is addressed in Section 4.5 below.

4.5 LEASED LAND MAY NOT BE SUBLEASED WITHOUT KULSHANCLT'S WRITTEN PERMISSION. Except as otherwise provided in Article 8 and Article 10, Homeowner shall not sublease, sell or otherwise convey any of Homeowner's rights under this Lease, for any period of time, without the written permission of KulshanCLT. Homeowner agrees that KulshanCLT shall have the right to withhold such consent in order to further the purposes of this Lease.

If permission for subleasing is granted, the sublease shall be subject to the following conditions.

- a) Any sublease shall be subject to all of the terms of this Lease.
- b) The rental or occupancy fee charged the sub-lessee shall not be more than the amount of the Lease Fee charged the Homeowner by the KulshanCLT, plus an amount approved by KulshanCLT to cover Homeowner's costs in owning the Home, including but not limited to the cost of taxes, insurance and mortgage interest, and such other items approved by Kulshan CLT.

4.6 KULSHANCLT HAS A RIGHT TO INSPECT THE LEASED LAND: The KulshanCLT may inspect any part of the Leased Land except the interiors of fully enclosed buildings, at any reasonable time, after notifying the Homeowner at least 48 hours before the planned inspection. No more than one (1) regular inspection may be carried out in a single year, except in the case of an emergency. In an emergency, the KULSHANCLT may inspect any part of the Leased Land except the interiors of fully enclosed buildings, after making reasonable efforts to inform the Homeowner before the inspection.

If the KulshanCLT has received an Intent-To-Sell Notice (as described in Section 10.4 below), then the KulshanCLT has the right to inspect the interiors of all fully enclosed buildings to determine their condition prior to the sale. The KulshanCLT must notify the Homeowner at least 24 hours before carrying out such inspection.

4.7 HOMEOWNER HAS A RIGHT TO QUIET ENJOYMENT: Homeowner has the right to quiet enjoyment of the Leased Land.

ARTICLE 5: Lease Fee

5.1 AMOUNT OF LEASE FEE: The Homeowner shall pay a monthly Lease Fee in an amount equal to the sum of (a) a Land Use Fee of \$40 to be paid in return for the continuing right to possess, occupy and use the Leased Land, plus (b) a Repair Reserve Fee of \$0 to be held by the KulshanCLT and used for the purpose of preserving the physical quality of the Home for the long term in accordance with Section 7.6 below. KulshanCLT shall show Homeowner how the Lease fee is calculated.

5.2 WHEN THE LEASE FEE IS TO BE PAID: The Lease Fee shall be payable to KulshanCLT on the first day of each month for as long as this Lease remains in effect, unless the Lease Fee is to be escrowed and paid by a Permitted Mortgagee, in which case payment shall be made as determined by that Mortgagee, but not less often than once per year.

5.4 KULSHANCLT MAY REDUCE OR SUSPEND THE LEASE FEE TO IMPROVE AFFORDABILITY: KulshanCLT may reduce or suspend the total amount of the Lease Fee for a period of time for the purpose of improving the affordability of the Homeowner's monthly housing costs. Any such reduction or suspension must be in writing and signed by KulshanCLT.

5.5 FEES MAY BE INCREASED FROM TIME TO TIME: The KulshanCLT may increase the amount of the Land Use Fee and/or the Repair Reserve Fee from time to time, but not more often than once every 5 years. Each time such amounts are increased, the total percentage of increase since the date this Lease was signed shall not be greater than the percentage of increase, over the same period of time, in the Consumer Price Index for urban wage earners and clerical workers for the urban area in which the Leased Land is located, or, if none, for urban areas the size of Whatcom County.

5.6 LAND USE FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED: If, for any reason, the provisions of Article 10 regarding transfers of the Home or Sections 4.4 and 4.5 regarding occupancy and subleasing are suspended or invalidated for any period of time, then during that time the Land Use Fee shall be

increased to an amount calculated by KulshanCLT to equal the fair rental value of the Leased Land for use not restricted by the suspended provisions. Such increase shall become effective upon KulshanCLT's written notice to Homeowner. Thereafter, for so long as these restrictions are not reinstated in the Lease, the KulshanCLT may, from time to time, further increase the amount of such Land Use Fee, provided that the amount of the Land Use Fee does not exceed the fair rental value of the property, and provided that such increases do not occur more often than once in every 2 years.

5.7 IF PAYMENT IS LATE, INTEREST CAN BE CHARGED: If the KulshanCLT has not received any monthly installment of the Lease Fee on or before the date on which the such installment first becomes payable under this Lease (the "Due Date"), the KulshanCLT may require Homeowner to pay interest on the unpaid amount from the Due Date through and including the date such payment or installment is received by KulshanCLT, at a rate not to exceed a one-time late fee of \$5.00 plus 1.5% compounded monthly (18% annually) interest on the unpaid balance. Such interest shall be deemed additional Lease Fee and shall be paid by Homeowner to KulshanCLT upon demand; provided, however, that KULSHANCLT shall waive any such interest that would otherwise be payable to KulshanCLT if such payment of the Lease Fee is received by KulshanCLT on or before the thirtieth (30th) day after the Due Date.

5.8 KULSHANCLT CAN COLLECT UNPAID FEES WHEN HOME IS SOLD: In the event that any amount of payable Lease Fee remains unpaid when the Home is sold, the outstanding amount of payable Lease Fee, including any interest as provided above, shall be paid to KulshanCLT out of any proceeds from the sale that would otherwise be due to Homeowner. The KulshanCLT shall have, and the Homeowner hereby consents to, a lien upon the Home for any unpaid Lease Fee. Such lien shall be prior to all other liens and encumbrances on the Home except (a) liens and encumbrances recorded before the recording of this Lease, (b) Permitted Mortgages as defined in section 8.1 below; and (c) liens for real property taxes and other governmental assessments or charges against the Home.

ARTICLE 6: Taxes and Assessments

6.1 HOMEOWNER IS RESPONSIBLE FOR PAYING ALL TAXES AND ASSESSMENTS: Homeowner shall pay directly, when due, all taxes and governmental assessments that relate to the Home and the Leased Land (including any taxes relating to the KulshanCLT's interest in the Leased Land). In case Homeowner fails to pay the taxes and governmental assessments, or any part thereof, in a timely manner, Homeowner shall also be responsible for paying any interest, penalties, late fees or similar increases that attach to the principal amount as a result of Homeowner's failure to make timely payments. As between Homeowner and KulshanCLT, Homeowner shall be responsible for any interest, penalties, late fees or similar increases that are assessed as a result of a mortgagee's failure to make timely payment.

6.2 KULSHANCLT WILL PASS ON ANY TAX BILLS IT RECEIVES TO HOMEOWNER: In the event that the local taxing authority bills KulshanCLT for any portion of the taxes on the Home or Leased Land, KULSHANCLT shall pass the bill to Homeowner and Homeowner shall promptly pay this bill.

6.3 HOMEOWNER HAS A RIGHT TO CONTEST TAXES: Homeowner shall have the right to contest the amount or validity of any taxes relating to the Home and Leased Land. Upon receiving a reasonable request from Homeowner for assistance in this matter, KulshanCLT shall join in contesting such taxes. All costs of such proceedings shall be paid by Homeowner.

6.4 IF HOMEOWNER FAILS TO PAY TAXES, KULSHANCLT MAY INCREASE LEASE FEE: In the event that Homeowner fails to pay the taxes or other charges described in Section 6.1 above, KulshanCLT may increase Homeowner's Lease Fee to offset the amount of taxes and other charges owed by Homeowner. Upon collecting any such amount, KulshanCLT shall pay the amount collected to the taxing authority in a timely manner.

6.5 PARTY THAT PAYS TAXES MUST SHOW PROOF: When either party pays taxes relating to the Home or Leased Land, that party shall furnish satisfactory evidence of the payment to the other party. A photocopy of a receipt shall be sufficient proof of payment.

ARTICLE 7: The Home

7.1 HOMEOWNER OWNS THE HOUSE AND ALL OTHER IMPROVEMENTS ON THE LEASED LAND: All structures, including the house, fixtures, and other improvements purchased, constructed, or installed by the Homeowner on any part of the Leased Land at any time during the term of this Lease (collectively, the "Home") shall be property of the Homeowner. Title to the Home shall be and remain vested in the Homeowner. However, Homeowner's rights of ownership are limited by certain provisions of this Lease, including provisions regarding the sale or leasing of the Home by the Homeowner and KulshanCLT's option to purchase the Home. In addition, Homeowner shall not remove any part of the Home, including fixtures and appliances, from the Leased Land without KulshanCLT's prior written consent.

7.2 HOMEOWNER PURCHASES HOME WHEN SIGNING LEASE: Upon the signing of this Lease, Homeowner is simultaneously purchasing the Home located at that time on the Leased Land, as described in the Deed, a copy of which is attached to this Lease as Exhibit: DEED.

7.3 CONSTRUCTION CARRIED OUT BY HOMEOWNER MUST COMPLY WITH CERTAIN REQUIREMENTS: Any construction in connection with the Home is permitted only if the following requirements are met: (a) all costs shall be paid for by the Homeowner; (b) all construction shall be performed in a professional manner and shall comply with all applicable laws and regulations including Covenants, Conditions and Restrictions of record of the date of this Lease; (c) all changes in the Home shall be consistent with the

permitted uses described in Article 4; (d) the footprint, square-footage, or height of the house shall not be increased and new structures shall not be built or installed on the Leased Land without the prior written consent of KulshanCLT.

For any construction requiring KulshanCLT's prior written consent, Homeowner shall submit a written request to the KulshanCLT. Such request shall include:

- a) a written statement of the reasons for undertaking the construction;
- b) a set of drawings (floor plan and elevations) showing the dimensions of the proposed construction;
- c) a list of the necessary materials, with quantities needed;
- d) a statement of who will do the work;

If the KulshanCLT finds it needs additional information it shall request such information from Homeowner within two weeks of receipt of Homeowner's request. The KulshanCLT then, within two weeks of receiving all necessary information (including any additional information it may have requested) shall give Homeowner either its written consent or a written statement of its reasons for not consenting. Before construction can begin, Homeowner shall provide KulshanCLT with copies of all necessary building permits, if not previously provided.

7.4 HOMEOWNER MAY NOT ALLOW STATUTORY LIENS TO REMAIN AGAINST LEASED LAND OR HOME: No lien of any type shall attach to the KulshanCLT's title to the Leased Land. Homeowner shall not permit any statutory or similar lien to be filed against the Leased Land or the Home which remains more than 60 days after it has been filed. Homeowner shall take action to discharge such lien, whether by means of payment, deposit, bond, court order, or other means permitted by law. If Homeowner fails to discharge such lien within the 60-day period, then Homeowner shall immediately notify KulshanCLT of such failure. KulshanCLT shall have the right to discharge the lien by paying the amount in question. Homeowner may, at Homeowner's expense, contest the validity of any such asserted lien, provided Homeowner has furnished a bond or other acceptable surety in an amount sufficient to release the Leased Land from such lien. Any amounts paid by KulshanCLT to discharge such liens shall be treated as an additional Lease Fee payable by Homeowner upon demand.

7.5 HOMEOWNER IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS: Homeowner hereby assumes responsibility for furnishing all services or facilities on the Leased Land, including but not limited to heat, electricity, air conditioning, internet, sewer and water. KulshanCLT shall not be required to furnish any services or facilities or to make any repairs to the Home. Homeowner shall maintain the Home and Leased Land as required by Section 4.2 above and shall see that all necessary repairs and replacements are accomplished when needed.

7.7 WHEN LEASE ENDS, OWNERSHIP REVERTS TO KULSHANCLT, WHICH SHALL REIMBURSE HOMEOWNER: Upon the expiration or termination of this Lease, ownership of the Home shall revert to KulshanCLT. Upon thus assuming title to the Home, KulshanCLT shall promptly pay an amount up to the Purchase Option Price, less any outstanding Lease Fees due and any other amounts owed to the KulshanCLT under the terms of this Lease, to the Homeowner and Permitted Mortgagee(s), as follows:

FIRST, KulshanCLT shall pay any Permitted Mortgagee(s) the amount owed to such mortgagee(s) by Homeowner;

SECOND, KulshanCLT shall pay the Homeowner the balance of the 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 and any other amounts owed to the KulshanCLT under the terms of this Lease. The Homeowner shall be responsible for any costs necessary to clear any additional liens or other charges related to the Home which may be assessed against the Home. If the Homeowner fails to clear such liens or charges, the balance due the Homeowner shall also be reduced by the amount necessary to release such liens or charges, including reasonable attorney fees incurred by the KulshanCLT.

ARTICLE 8: Financing

8.1 HOMEOWNER MAY MORTGAGE THE HOME ONLY WITH KULSHANCLT'S PRIOR PERMISSION: The Homeowner may mortgage the Home only with the prior written permission of KulshanCLT. Any mortgage or deed of trust permitted in writing by KulshanCLT is defined as a Permitted Mortgage, and the holder of such a mortgage or deed of trust is defined as a Permitted Mortgagee. Should the Homeowner enter into a mortgage, deed of trust or similar financing arrangement without the prior written permission of Kulshan, it shall be void and shall have no force or effect.

8.2 BY SIGNING LEASE, KULSHANCLT GIVES PERMISSION FOR ORIGINAL MORTGAGE. By signing this Lease, KULSHANCLT will treat any mortgage or deed of trust for the purpose of financing Homeowner's purchase of the Home, as a Permitted Mortgage, effective on the day this Lease is recorded. To be a Permitted Mortgage, the Homeowner and the Mortgagee shall execute the Standard Permitted Mortgage Agreement found in the EXHIBIT PERMITTED MORTGAGE, Part C, before closing. When the Mortgagee shall execute the Standard Permitted Mortgage Agreement found in the EXHIBIT PERMITTED MORTGAGE, Part C, before closing, then this paragraph shall also apply to any refinancing arrangement which both the Homeowner and the Mortgagee shall execute.

8.3 HOMEOWNER MUST GET SPECIFIC PERMISSION FOR REFINANCING OR OTHER SUBSEQUENT MORTGAGES. If, at any time subsequent to the purchase of the Home and signing of the Lease, the Homeowner seeks a loan that is to be secured by a mortgage on the Home (to refinance an existing Permitted Mortgage or to finance home repairs or for any other purpose), Homeowner must inform KulshanCLT, in writing, of the proposed terms and conditions of such mortgage loan at least 15 business days prior to the expected closing of the loan. The information to be provided to the KulshanCLT must include:

- a. the name of the proposed lender;

- b. Homeowner's reason for requesting the loan;
- c. the principal amount of the proposed loan and the total mortgage debt that will result from the combination of the loan and existing mortgage debt, if any;
- d. expected closing costs;
- e. the rate of interest;
- f. the repayment schedule;
- g. a copy of the appraisal commissioned in connection with the loan request.

KulshanCLT may also require Homeowner to submit additional information. KulshanCLT will not permit such a mortgage loan if the loan increases Homeowner's total mortgage debt to an amount greater than 80% of the then current Purchase Option Price, calculated in accordance with Article 10 below, or if the terms of the transaction otherwise threaten the interests of either the Homeowner or the KulshanCLT.

8.4 KULSHANCLT IS REQUIRED TO PERMIT A "STANDARD PERMITTED MORTGAGE." The KulshanCLT shall be required to permit any mortgage for which the mortgagee has signed a "Standard Permitted Mortgage Agreement" as set forth in "Exhibit: Permitted Mortgages, Part C," and for which the loan secured thereby does not increase Homeowner's total mortgage debt to an amount greater than 80% of the then current Purchase Option Price, calculated in accordance with Article 10 below.

8.5 A PERMITTED MORTGAGEE HAS CERTAIN OBLIGATIONS UNDER THE LEASE. Any Permitted Mortgagee shall be bound by each of the requirements stated in "Exhibit: Permitted Mortgages, Part A, Obligations of Permitted Mortgagee," which is made a part of this Lease by reference, unless the particular requirement is removed, contradicted or modified by a Rider to this Lease signed by the Homeowner and the KULSHANCLT to modify the terms of the Lease during the term of the Permitted Mortgage.

8.6 A PERMITTED MORTGAGEE HAS CERTAIN RIGHTS UNDER THE LEASE. Any Permitted Mortgagee shall have all of the rights and protections stated in "Exhibit: Permitted Mortgages, Part B, Rights of Permitted Mortgagee," which is made a part of this Lease by reference.

8.7 IN THE EVENT OF FORECLOSURE, ANY PROCEEDS IN EXCESS OF THE PURCHASE OPTION PRICE WILL GO TO KULSHANCLT. Homeowner and KulshanCLT recognize that it would be contrary to the purposes of this agreement if Homeowner could receive more than the Purchase Option Price as the result of the foreclosure of a mortgage. Therefore, in the case of foreclosure or other involuntary sale, Homeowner hereby irrevocably assigns to KulshanCLT all net proceeds of sale of the Home that would otherwise have been payable to Homeowner and that exceed the amount of net proceeds that Homeowner would have received if the property had been sold for the Purchase Option Price, calculated as described in Section 10.10 below. Homeowner authorizes and instructs the Permitted Mortgagee, or any party conducting any sale, to pay such excess amount directly to KulshanCLT. If, for any reason, such excess amount is paid to Homeowner, Homeowner hereby agrees to promptly pay such amount to KulshanCLT.

8.8 HOMEOWNER CAN NOT MORTGAGE KULSHAN CLT'S INTEREST. Homeowner agrees that Homeowner shall have no power to mortgage, pledge, hypothecate or otherwise encumber KulshanCLT's interest in the land leased to Homeowner without the prior written permission of KulshanCLT. Any attempt to mortgage, pledge, hypothecate or otherwise encumber KulshanCLT'S interest in this leased land without the prior written permission of KulshanCLT shall be void.

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

9.1 HOMEOWNER ASSUMES ALL LIABILITY. Homeowner assumes all responsibility and liability related to Homeowner's possession, occupancy and use of the Leased Land.

9.2 HOMEOWNER MUST DEFEND KULSHANCLT AGAINST ALL CLAIMS OF LIABILITY. Homeowner shall defend, indemnify and hold KulshanCLT harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Land. Homeowner waives all claims against KulshanCLT for injury or damage on or about the Leased Land. However, KulshanCLT shall remain liable for injury or damage due to the grossly negligent or intentional acts or omissions of KulshanCLT or KulshanCLT's agents or employees.

9.3 HOMEOWNER MUST REIMBURSE KULSHANCLT. In the event the KulshanCLT shall be required to pay any sum that is the Homeowner's responsibility or liability, the Homeowner shall reimburse the KulshanCLT for such payment and for reasonable expenses caused thereby.

9.4 HOMEOWNER MUST INSURE THE HOME AGAINST LOSS AND MUST MAINTAIN LIABILITY INSURANCE ON HOME AND LEASED LAND. a) Homeowner shall, at Homeowner's expense, keep the Home continuously insured against "all risks" of physical loss, using Insurance Services Office (ISO) Form HO 00 03, or its equivalent, for the full replacement value of the Home, and in any event in an amount that will not incur a coinsurance penalty. The amount of such insured replacement value must be approved by the KulshanCLT prior to the commencement of the Lease. Thereafter, if the KulshanCLT determines that the replacement value to be insured should be increased, the KulshanCLT shall inform the Homeowner of such required increase at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Homeowner shall assure that the renewal includes such change. If Homeowner wishes to decrease the amount of replacement value to be insured, Homeowner shall inform the KulshanCLT of the proposed change at least 30 days prior to the time such change would take effect. The change shall not take effect without KulshanCLT's approval. KulshanCLT shall be named as an additional insured on all policies of insurance required under this Lease and certificates of insurance shall be delivered to the KulshanCLT prior to the commencement of the Lease and at each anniversary date thereof.

b) Should the Home lie in a flood hazard zone as defined by the National Flood Insurance Plan, the Homeowner shall keep in full force and effect flood insurance in the maximum amount available.

c) The Homeowner shall also, at its sole expense, maintain in full force and effect public liability insurance using ISO Form HO 00 03, or its equivalent, in the amount of \$300,000.00 per occurrence and in the aggregate. The KulshanCLT shall be named as an additional insured using ISO Form HO 04 41 or its equivalent, and certificates of insurance shall be delivered to the KulshanCLT prior to the commencement of the Lease and at each anniversary date thereof.

d) The dollar amounts of such coverage may be increased from time to time at the KulshanCLT's request but not more often than once in any one-year period. KulshanCLT shall inform the Homeowner of such required increase in coverage at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Homeowner shall assure that the renewal includes such change. The amount of such increase in coverage shall be based on current trends in homeowner's liability insurance coverage in the area in which the Home is located.

9.5 WHAT HAPPENS IF HOME IS DAMAGED OR DESTROYED. Except as provided below, in the event of fire or other damage to the Home, Homeowner shall take all steps necessary to assure the repair of such damage and the restoration of the Home to its condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. Homeowner shall also promptly take all steps necessary to assure that the Leased Land is safe and that the damaged Home does not constitute a danger to persons or property.

a) If Homeowner, based 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 the full cost of necessary repairs and that Homeowner cannot otherwise afford to cover the balance of the cost of repairs, then Homeowner shall notify KulshanCLT of this problem, and KulshanCLT may then help to resolve the problem. Methods used to resolve the problem may include efforts to increase the available insurance proceeds, efforts to reduce the cost of necessary repairs, efforts to arrange affordable financing covering the costs of repair not covered by insurance proceeds, and any other methods agreed upon by both Homeowner and KulshanCLT.

b) If Homeowner and KulshanCLT cannot agree on a way of restoring the Home in the absence of adequate insurance proceeds, then Homeowner may give KulshanCLT written notice of intent to terminate the Lease. The date of actual termination shall be no less than 60 days after the date of Homeowner's notice of intent to terminate. Upon termination, any insurance proceeds payable to Homeowner for damage to the Home shall be paid as follows.

FIRST, to the expenses of their collection;

SECOND, to any Permitted Mortgagee(s), to the extent required by the Permitted Mortgage(s);

THIRD, to the expenses of enclosing or razing the remains of the Home and clearing debris;

FOURTH, to the KulshanCLT for any amounts owed under this Lease;

FIFTH, to the Homeowner, up to an amount equal to the Purchase Option Price, as of the day prior to the loss, less any amounts paid with respect to the second, third, and fourth clauses above;

SIXTH, the balance, if any, to the KulshanCLT.

9.6 WHAT HAPPENS IF SOME OR ALL OF THE LAND IS TAKEN FOR PUBLIC USE. a) If all of the Leased Land is taken by eminent domain or otherwise for public purposes, or if so much of the Leased Land is taken that the Home is lost or damaged beyond repair, the Lease shall terminate as of the date when Homeowner is required to give up possession of the Leased Land. Upon such termination, the entire amount of any award(s) paid shall be allocated in the way described in Section 9.5 above for insurance proceeds.

b) In the event of a taking of a portion of the Leased Land that does not result in damage to the Home or significant reduction in the usefulness or desirability of the Leased Land for residential purposes, then any monetary compensation for such taking shall be allocated entirely to KulshanCLT.

c) In the event of a taking of a portion of the Leased Land that results in damage to the Home only to such an extent that the Home can reasonably be restored to a residential use consistent with this Lease, then the damage shall be treated as damage is treated in Section 9.5 above, and monetary compensation shall be allocated as insurance proceeds are to be allocated under Section 9.5.

9.7 IF PART OF THE LAND IS TAKEN, THE LEASE FEE MAY BE REDUCED. In the event of any taking that reduces the size of the Leased Land but does not result in the termination of the Lease, KulshanCLT shall reassess the fair rental value of the remaining Land and shall adjust the Lease Fee if necessary to assure that the monthly fee does not exceed the monthly fair rental value of the Land for use as restricted by the Lease.

9.8 IF LEASE IS TERMINATED BY DAMAGE, DESTRUCTION OR TAKING, KULSHANCLT WILL TRY TO HELP HOMEOWNER BUY ANOTHER KULSHANCLT HOME. If this Lease is terminated as a result of damage, destruction or taking, KulshanCLT shall take reasonable steps to allow Homeowner to purchase another home on another parcel of leased land owned by KulshanCLT if such home can reasonably be made available. If Homeowner purchases such a home, Homeowner agrees to apply any proceeds or award received by Homeowner to the purchase of the home. Homeowner understands that there are numerous reasons why it may not be possible to make such a home available, and shall have no claim against KulshanCLT if such a home is not made available.

ARTICLE 10: Transfer of the Home

10.1 INTENT OF THIS ARTICLE IS TO PRESERVE AFFORDABILITY: Homeowner and KulshanCLT agree that the provisions of this Article 10 are intended to preserve the affordability of the Home for lower income households and expand access to homeownership opportunities for such households.

10.2 HOMEOWNER MAY TRANSFER HOME ONLY TO KULSHANCLT OR QUALIFIED PERSONS: a) Homeowner may transfer the Home only to the KULSHANCLT or an Income-Qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All such transfers are to be completed only in strict compliance with this Article 10. Any purported transfer that does not follow 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.

b) "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 THE HOME MAY BE TRANSFERRED TO CERTAIN HEIRS OF HOMEOWNER: If Homeowner dies (or if the last surviving co-owner of the Home dies), the executor or personal representative of Homeowner's estate shall notify KulshanCLT within ninety (90) days of the date of the death. Upon receiving such notice KulshanCLT shall consent to a transfer of the Home and Homeowner's rights to the Leased Land to one or more of the possible heirs of Homeowner listed below as "a," "b," or "c," provided that a Letter of Agreement and a Letter of Attorney's Acknowledgment (as described in Article 1 above) are submitted to KulshanCLT to be attached to the Lease when it is transferred to the heirs.

- a) the spouse of the Homeowner; or
- b) the natural or adopted child or children of the Homeowner; or
- c) member(s) of the Homeowner's household who have resided in the Home for at least one year immediately prior to Homeowner's death.

Any other heirs, legatees or devisees of Homeowner, in addition to submitting Letters of Agreement and Attorney's Acknowledgment as provided above, must demonstrate to KulshanCLT's satisfaction that they are Income-Qualified Persons as defined above. If they cannot demonstrate that they are Income-Qualified Persons, they shall not be entitled to possession of the Home but must transfer the Home in accordance with the provisions of this Article.

10.4 HOMEOWNER MUST GIVE NOTICE OF INTENT TO SELL: In the event that Homeowner wishes to sell Homeowner's Property, Homeowner shall notify KulshanCLT, in writing, of such wish (the Intent-to-Sell Notice). This Notice shall include a statement as to whether Homeowner wishes to recommend a prospective buyer as of the date of the Notice.

10.5 UPON RECEIVING NOTICE, KULSHANCLT HAS AN OPTION TO PURCHASE THE HOME. a) Upon receipt of an Intent-to-Sell Notice from Homeowner, KulshanCLT shall have the option to purchase the Home at the Purchase Option Price calculated as set forth below. The Purchase Option Price is designed to further the purpose of preserving the affordability of the Home for succeeding Income-Qualified Persons while taking fair account of the investment by the Homeowner.

b) If KulshanCLT elects to purchase the Home, KulshanCLT shall exercise the Purchase Option by notifying Homeowner, in writing, of such election (the Notice of Exercise of Option) within forty-five (45) days of the receipt of the Intent-to-Sell Notice, or the Option shall expire. Having given such notice, KulshanCLT may either proceed to purchase the Home directly or may assign the Purchase Option to an Income-Qualified Person.

c) The purchase (by KulshanCLT or KulshanCLT's assignee) must be completed within sixty (60) days of KulshanCLT's Notice of Exercise of Option, or Homeowner may sell the Home and Homeowner's rights to the Leased Land as provided in Section 10.7 below. The time permitted for the completion of the purchase may be extended by mutual agreement of KulshanCLT and Homeowner.

d) Homeowner may recommend to KulshanCLT a prospective buyer who is an Income-Qualified Person and is prepared to submit Letters of Agreement and Attorney's Acknowledgment indicating informed acceptance of the terms of this Lease. KulshanCLT shall make reasonable efforts to arrange for the assignment of the Purchase Option to such person, unless KulshanCLT determines that its charitable mission is better served by retaining the Home for another purpose or transferring the Home to another party.

10.6 IF PURCHASE OPTION EXPIRES, HOMEOWNER MAY SELL ON CERTAIN TERMS: If the Purchase Option has expired or if KulshanCLT has failed to complete the purchase within the sixty-day period allowed by Section 10.5 above, Homeowner may sell the Home to any Income-Qualified Person for not more than the then applicable Purchase Option Price. If Homeowner has made diligent efforts to sell the Home for at least six months after the expiration of the Purchase Option (or six months after the expiration of such sixty-day period) and the Home still has not been sold, Homeowner may then sell the Home, for a price no greater than the then applicable Purchase Option Price plus an amount allowing for repayment of the principal and accrued interest, if any, of all indebtedness owed to the City of Bellingham and the Federal Home Loan Bank, to any party regardless of whether that party is an Income-Qualified Person.

10.7 AFTER ONE YEAR KULSHANCLT SHALL HAVE POWER OF ATTORNEY TO CONDUCT SALE: If KulshanCLT does not exercise its option and complete the purchase of Homeowner's Property as described above, and if Homeowner (a) is not then residing in the Home and (b) continues to hold Homeowner's Property out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one year of the date of the Intent to Sell Notice, Homeowner does hereby irrevocably appoint KulshanCLT its attorney in fact to seek a buyer, negotiate a reasonable price that furthers the purposes of this Lease, sell the property, and pay to the Homeowner the proceeds of sale, minus KulshanCLT's costs of sale and any other sums owed KulshanCLT by Homeowner. Such appointment and power of attorney shall be effective as of the date one year (365 days) after the date of the Intent to Sell Notice. If the power of Attorney granted by this section becomes effective, it shall divest Homeowner of the power to sell the Home.

10.8 PURCHASE OPTION PRICE EQUALS LESSER OF APPRAISED VALUE OF HOMEOWNER'S OWNERSHIP INTEREST OR FORMULA PRICE: In no event may the Home be sold for a price that exceeds the Purchase Option Price. The Purchase Option Price shall be the lesser of (a) the Appraised Value of Homeowner's Ownership Interest at Resale calculated in accordance with Section 10.9 below or (b) the Formula Price calculated in accordance with Section 10.10 below plus an amount allowing for repayment of the principal and accrued interest, if any, of all indebtedness owed to the City of Bellingham and the Federal Home Loan Bank. If KulshanCLT does not choose to commission an appraisal to determine the appraised value of Homeowner's Ownership Interest, then the Purchase Option Price shall be the Formula Price plus an amount allowing for repayment of the principal and accrued interest, if any, of all indebtedness owed to the City of Bellingham and the Federal Home Loan Bank.

10.9 HOW THE VALUE OF HOMEOWNER'S OWNERSHIP INTEREST IS DETERMINED: a) If KulshanCLT believes that the value of Homeowner's Ownership Interest at Resale may be less than the Formula Price, KulshanCLT may, within 10 days of receiving Homeowner's Notice of Intent to Sell, commission a market valuation of the Leased Land and the Home to be performed by a duly licensed appraiser acceptable to KulshanCLT and Homeowner. KulshanCLT 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 Home were held in fee simple absolute by a single party, disregarding all of the restrictions of this Lease on the use, occupancy and transfer of the property. Copies of the Appraisal are to be provided to both KulshanCLT and Homeowner.

b) KulshanCLT and Homeowner agree that, at the time when Homeowner purchased the Home and executed the Lease with the KulshanCLT, the appraised market value of the Home and Leased Land was \$_____ (the "Initial Value), as documented by the appraiser's report attached to this Lease as Exhibit INITIAL APPRAISAL. KulshanCLT and Homeowner further agree that Homeowner's Base Price was \$ _____, and that this amount equals ___% of the Initial Value (the Ratio of Base Price to Initial Value)

10.10 HOW THE FORMULA PRICE IS CALCULATED: a) The Formula Price shall be equal to the amount of Homeowner's Base Price (which KulshanCLT and Homeowner agree is \$_____) plus 1.50% simple interest annually, plus a credit for Qualified Capital Improvements, as stated below, if applicable, plus a credit for Capital Systems Replacement, as stated below, if applicable, minus Excessive Damage Value, as defined in Section 4.2, if applicable, minus deferred maintenance and neglect value, if applicable. The Formula Price is not a guarantee of the actual sales price. The Formula Price only caps the amount the Home can be sold for.

b) *Credit for Qualified Capital Improvements:* For the purpose of obtaining credit under this section, only the addition of livable space (bedroom, bathroom, finished basement, finished attic space, porch or deck, the addition of a garage (either attached or detached)) shall be considered a Qualified Capital Improvement. In order to receive credit for a Qualified Capital Improvement, and prior to commencing construction, Homeowner must submit to KulshanCLT a) detailed plans for the proposed construction, b) an itemization of the expected costs for the proposed construction and c) copies of any permits required by law for the proposed construction. An agreement must be reached between the Homeowner and KulshanCLT regarding the scope of the proposed construction and a reasonable timeframe within which construction should be completed. The final decision regarding this agreement will be made by the KulshanCLT Board of Trustees or its designee. In reaching the decision, KulshanCLT will consider, among other issues, the future affordability of the improvements. Said agreement must be signed, duly notarized and shall become a legal attachment to the lease. Except for Capital Systems Replacement, all other construction shall be considered maintenance rather than capital improvement and the cost of such other construction shall not be eligible for credit under this section. Provided all conditions of this paragraph and the agreement between KulshanCLT and Homeowner described herein are met, 50% of the cost of the qualified Capital Improvement, as agreed upon by the KulshanCLT and Homeowner, not including any costs which were or could have been paid with insurance proceeds, shall qualify for the Capital Improvement Credit.

c) *Credit for Capital Systems Replacement:* For the purpose of qualifying as a Capital Systems Replacement the roof, plumbing (excluding fixtures), foundation, electrical (excluding fixtures), heating, sewer line, insulation, or windows, shall be considered Capital Systems if at least fifty percent (50%) of the Capital System is replaced and the new Capital System must have an expected life-span of at least 30 (thirty) years. The addition of alternative energy production system(s) shall qualify for credit under this passage. In order to receive a credit for Capital Systems Replacement, Homeowner must consult with KulshanCLT prior to replacing a Capital System and agreement must be reached between Homeowner and KulshanCLT regarding the scope and cost of the proposed Replacement. The intention of this credit is to encourage and create incentives for homeowners to maintain the functionality of these systems and to increase the quality of energy efficiency, durability and ease of maintenance over time while simultaneously maintaining affordability. Provided all conditions of this paragraph and the agreement between KulshanCLT and Homeowner described herein are met, the following payment schedule shall apply:

	# of Years Between Capital System Replacement & Sale		
	<10 Years	Between 10 – 20 Years	More than 20 Years
% of Cost to be Credited	100%	50%	0%

Any costs that were or could have been paid with insurance proceeds, shall not qualify for the Capital Improvement Credit. The final decision regarding this agreement will be made by the KulshanCLT Board of Trustees or its designee. Homeowner shall be responsible for obtaining any permits required by law for a proposed Replacement and furnish such permits to the KulshanCLT. Said agreement must be signed, duly notarized and shall become a legal attachment to the lease.

Replacement of less than fifty percent (50%) of any Capital System will be considered repair and the cost of such a repair will not be eligible for credit under this section.

Consideration for Durable and Green Materials: In determining the amount of both credit for Capital Improvements and for Capital Systems Replacement special consideration will be made for materials that may cost more but offer longer durability and/or for “green” building materials in recognition that these materials extend the life of the house and save valuable resources. The meaning of “durable” or “green” will be determined by the KulshanCLT.

10.11 **QUALIFIED PURCHASER SHALL RECEIVE NEW LEASE:** The KulshanCLT shall issue a new lease to any person who purchases the Home in accordance with the terms of this Article 10. The terms of such lease shall be the same as those of new leases issued to homebuyers at that time for land not previously leased by the KulshanCLT.

10.12 **PURCHASER MAY BE CHARGED A TRANSFER FEE.** In the event that Homeowner sells the home to a party other than the KulshanCLT (whether directly to such party or as a result of KulshanCLT’s assignment of its Purchase Option to such party), the price to be paid by such purchaser shall include in addition to the Purchase Option Price, at the discretion of the KulshanCLT, a transfer fee to compensate the KULSHANCLT for carrying out its responsibilities with regard to the transaction. The amount of the transfer fee shall be no more than 6% of the Purchase Option Price.

10.13 **HOMEOWNER REQUIRED TO MAKE NECESSARY REPAIRS AT TRANSFER.** The Homeowner is required to make necessary repairs when she voluntarily transfers the Home as follows:

- a) The person purchasing the Home (“Buyer”) shall, prior to purchasing the Home, hire at her sole expense a building inspector with a current Home Inspector license from the American Society of Home Inspectors [licensing agency] to assess the condition of the Home and prepare a written report of the condition (“Inspection Report”). The Homeowner shall cooperate fully with the inspection.
- b) The Buyer shall provide a copy of the Inspection Report to Buyer’s lender (if any), the Homeowner, and the KulshanCLT within 10 days after receiving the Inspection Report.
- c) Homeowner shall repair specific reported defects or conditions necessary to bring the Home into full compliance with Sections 4.2 and 7.5 above prior to transferring the Home.
- d) Homeowner shall bear the full cost of the necessary repairs and replacements. However, upon Homeowner’s written request, the KulshanCLT may allow the Homeowner to pay all or a portion of the repair costs at or after transfer, from Homeowner’s proceeds of sale, if Homeowner cannot afford to pay such costs prior to the transfer. If repairs are to be completed after closing, 150% of the unpaid estimated cost of repairs shall be withheld from Homeowner’s proceeds of sale in a KulshanCLT - approved escrow account. Homeowner shall allow KulshanCLT, Buyer, and Buyer’s building inspector and lender’s representative to inspect the repairs when complete to determine that the repairs have been satisfactorily completed, at which time the funds in escrow for these repairs shall be released to KulshanCLT in order to pay contractors. Escrowed moneys beyond that needed to pay contractors for these repairs shall be released by KulshanCLT to the former Homeowner.
- e) Upon sale or other transfer, Homeowner shall either (i) transfer the Home with all originally purchased appliances or replacements in the Home in good working order or (ii) reduce the Purchase Option Price by the market value of any such appliances that are not left with the Home in good working order.

ARTICLE 11: RESERVED

ARTICLE 12: DEFAULT

12.1 **WHAT HAPPENS IF HOMEOWNER FAILS TO MAKE PAYMENTS TO THE KULSHANCLT THAT ARE REQUIRED BY THE LEASE:** It shall be an event of default if Homeowner fails to pay the Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Homeowner or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by KulshanCLT to Homeowner and Permitted Mortgagee. However, if Homeowner makes a good faith partial payment of at least two-thirds (2/3) of the amount owed during the 30-day cure period, then the cure period shall be extended by an additional 30 days, up to a maximum of 360 days.

12.2 **WHAT HAPPENS IF HOMEOWNER VIOLATES OTHER (NONMONETARY) TERMS OF THE LEASE:** It shall be an event of default if Homeowner fails to abide by any other requirement or restriction stated in this Lease, and such failure is not cured by Homeowner or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by KulshanCLT to Homeowner and Permitted Mortgagee. However, if Homeowner or Permitted Mortgagee has begun to cure such default within the 60-day cure period and is continuing such cure with due diligence but cannot complete the cure within the 60-day cure period, the cure period shall be extended for as much additional time as may be reasonably required to complete the cure. KulshanCLT shall be sole judge of how much additional time shall be reasonable.

12.3 **WHAT HAPPENS IF HOMEOWNER DEFAULTS AS A RESULT OF 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 Homeowner is judicially and involuntarily declared bankrupt or insolvent according to law, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of the Home or Homeowner’s interest in the Leased Land by a court of competent jurisdiction, or if a petition is filed involuntarily against Homeowner under any provisions of the Bankruptcy Act now in effect or hereafter enacted.

12.4 **A DEFAULT (UNCURED VIOLATION) GIVES KULSHANCLT THE RIGHT TO TERMINATE THE LEASE OR EXERCISE ITS PURCHASE OPTION:**

a) **TERMINATION:** In the case of any of the events of default described above in Article 12 of this lease, KulshanCLT may terminate this lease and initiate summary proceedings under applicable law against Homeowner, and KulshanCLT shall have all the rights and remedies consistent with such laws and resulting court orders to enter the Leased Land and Home with 24 hour notice and repossess the entire Leased Land and Home, and expel Homeowner and those claiming rights through Homeowner. In addition, KulshanCLT shall have such additional rights and remedies to recover from Homeowner arrears of rent and damages from any preceding breach of any covenant of this Lease. If this Lease is terminated by KulshanCLT pursuant to an Event of Default, then, as provided in Section 7.7 above, upon thus assuming title to the Home, KulshanCLT shall pay to Homeowner and any Permitted Mortgagee an amount equal to the Purchase Option Price calculated in accordance with Section 10.9 above, as of the time of reversion of ownership, less the total amount of any unpaid Lease Fee and any other amounts owed to the KulshanCLT under the terms of this Lease and all reasonable costs (including reasonable attorneys' fees) incurred by KulshanCLT in pursuit of its remedies under this Lease.

If KulshanCLT elects to terminate the Lease, then the Permitted Mortgagee shall have the right (subject to Article 8 above and the attached Exhibit: Permitted Mortgages) 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 Homeowner's interest in the Home and the Leased Land by foreclosure of its mortgage or otherwise.

b) **EXERCISE OF OPTION:** In the case of any of the events of default described above, Homeowner hereby grants to the KulshanCLT (or its assignee) the option to purchase the Home for the Purchase Option Price as such price is defined in Article 10 above. Within thirty (30) days after the expiration of any applicable cure period as established in Sections 12.1 or 12.2 above or within 30 days after any of the events constituting an Event of Default under Section 12.3 above, KulshanCLT shall notify the Homeowner and the Permitted Mortgagee(s) of its decision to exercise its option to purchase under this Section 12.4(b). Not later than ninety (90) days after the KulshanCLT gives notice to the Homeowner of the KulshanCLT's intent to exercise its option under this Section 12.4(a), the KulshanCLT or its assignee shall purchase the Home for the Purchase Option Price.

12.5 WHAT HAPPENS IF KULSHANCLT DEFAULTS: KulshanCLT shall in no event be in default in the performance of any of its obligations under the Lease unless and until KulshanCLT 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 Homeowner to KulshanCLT properly specifying KulshanCLT's failure to perform any such obligation.

ARTICLE 13: Mediation and Arbitration

13.1 Nothing in this Lease shall be construed as preventing the parties from utilizing any process of mediation or arbitration in which the parties agree to engage for the purpose of resolving a dispute, but engaging in mediation or arbitration shall not be required as a condition of exercising any rights under this Lease.

13.2 Homeowner and KulshanCLT shall each pay one half (50%) of any costs incurred in carrying out mediation or arbitration in which the parties have agreed to engage.

ARTICLE 14: GENERAL PROVISIONS

14.1 **HOMEOWNER'S MEMBERSHIP IN KULSHANCLT:** The Homeowner under this Lease shall automatically be a regular voting member of the KulshanCLT.

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 KulshanCLT: Kulshan Community Land Trust (name of KulshanCLT)
with a copy to: Raas, Johnsen & Stuen (KulshanCLT's attorney)

If to Homeowner: _____ (name of Homeowner)

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. If the United States Mail no longer exists, or no longer offers such services as certified or registered mail, then delivery may be made by any commercial service where delivery to the Homeowner is recorded and proof of delivery is verified by such commercial service.

14.3 **NO BROKERAGE:** Homeowner warrants that it has not dealt with any real estate broker other than _____ in connection with the purchase of the Home. If any claim is made against KulshanCLT regarding dealings with brokers other than _____, Homeowner shall defend KulshanCLT against such claim with counsel of KulshanCLT's selection and shall reimburse KulshanCLT for any loss, cost or damage which may result from 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 Homeowner or KulshanCLT 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 KulshanCLT's option to purchase and all other rights of both parties under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and 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 twenty (20) years after the death of the last survivor of the following persons: any of the class of children living as of 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, KulshanCLT shall nevertheless have a right of first refusal to purchase the Home at the highest documented bona fide purchase price offer made to

Homeowner. Such right shall be as specified in Exhibit FIRST REFUSAL. Any sale or transfer contrary to this Section, when applicable, shall be null and void.

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

b) The subsequent acceptance of Lease Fee payments by KulshanCLT shall not be deemed to be a waiver of any preceding breach by Homeowner of any requirement or restriction in this Lease, other than the failure of the Homeowner to pay the particular Lease Fee so accepted, regardless of KulshanCLT's knowledge of such preceding breach at the time of acceptance of such Lease Fee payment.

14.7 KULSHANCLT'S RIGHT TO PROSECUTE OR DEFEND: KulshanCLT shall have the right, but shall have no obligation, to prosecute or defend, in its own or the Homeowner's name, any actions or proceedings appropriate to the protection of its own or Homeowner's interest in the Leased Land. Whenever requested by KULSHANCLT, Homeowner shall give KulshanCLT 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 HEADINGS AND TABLE OF CONTENTS: The headings, subheadings 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 KulshanCLT and Homeowner 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 KulshanCLT and Homeowner 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 KulshanCLT or Homeowner. Both parties have had the benefit of counsel of their own choosing in the negotiation and execution of this Lease.

14.12 RECORDING: The parties agree, as an alternative to the recording 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 KulshanCLT's attorneys. In no event shall such document state the rent or other charges payable by Homeowner 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.

14.13 THIS LEASE IS NOT SUBJECT TO THE LANDLORD-TENANT LAWS: This lease is not a lease or other conveyance of the right to occupy a residential unit and is not subject to the Residential Landlord-Tenant laws of the State of Washington, as now in force as RCW 59.18, as amended or replaced in the future.

IN WITNESS WHEREOF, the parties have executed this lease at _____ on the day and year first above written.

_____ (KULSHANCLT)

Witness

By: _____
Its duly authorized agent

_____ (Homeowner):

Witness

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

I certify that I know or have satisfactory evidence that [Homeowner] is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, and acknowledged it to be (his/her/their) free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: _____

NOTARY PUBLIC in and for the State of Washington
My appointment expires: _____

ACCEPTED AND AGREED TO:

[KulshanCLT, **by its Executive Director**], Agent for the purposes of Section 10.7 hereof.

Exhibit LETTERS OF AGREEMENT AND ATTORNEY’S ACKNOWLEDGMENT
Letter of Agreement

To Kulshan Community Land Trust (“KulshanCLT”)

Date: _____

This letter is given to the KulshanCLT to become an exhibit to a Lease between the KulshanCLT and me. I will be leasing a parcel of land from the KulshanCLT and will be buying the home that sits on that parcel of land. I will therefore become what is described in the Lease as a “the Homeowner.”

I was given the opportunity to have my own legal counsel, _____ review and explain 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 KulshanCLT homeowner, now and in the future.

In particular I understand and agree with the following points.

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

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 KulshanCLT 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 KulshanCLT to promote resident ownership of KulshanCLT 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 KulshanCLT homeowner and a member of the KulshanCLT, 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

Homeowner

STATE OF WASHINGTON

_____ss.

COUNTY OF WASHINGTON

On this day personally appeared before me _____ to me known to be there individual (s) described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this ____ day in _____ (month, year).

NOTARY PUBLIC in and for the State of
Washington, residing in Whatcom County
My commission expires _____

EXHIBIT Letter of Attorney’s Acknowledgment

I, _____, have been independently employed by _____
(hereinafter “the Client”) who intends to purchase a house and other improvements (the “Home”) on
land to be leased from Community Land Trust. The house and land are located at
_____.

In connection with the contemplated purchase of the Home and the leasing of the land, I reviewed with the Client the following documents:

- a) this Letter of Attorney’s Acknowledgment and a Letter of Agreement from the Client;
- b) a proposed Deed conveying the Home to the Client;
- c) a proposed Ground Lease conveying the “Leased Land” to the Client;
- d) other written materials provided by the KulshanCLT.

The Client has received full and complete information and advice regarding this conveyance and the foregoing documents. In my review of these documents my purpose has been to reasonably inform the Client of the present and foreseeable risks and legal consequences of the contemplated transaction.

The Client is entering the aforesaid transaction in reliance on her own judgment and upon her investigation of the facts. The advice and information provided by me was an integral element of such investigation.

Name _____ Date _____
Title _____
Firm/Address _____

Exhibit DEED

(attached after recording)

Exhibit PERMITTED MORTGAGES

The rights and provisions set forth in this Exhibit shall be understood to be provisions of Section 8.2 of the of the Lease. All terminology used in this Exhibit shall have the meaning assigned to it in the Lease.

A. OBLIGATIONS OF PERMITTED MORTGAGEE. Any Permitted Mortgagee shall be bound by each of the following requirements unless the particular requirement is removed, contradicted or modified by a rider to this Lease signed by the Homeowner and the KulshanCLT to modify the terms of the Lease during the term of the Permitted Mortgage.

1. If Permitted Mortgagee sends a notice of default to the Homeowner because the Homeowner has failed to comply with the terms of the Permitted Mortgage, the Permitted Mortgagee shall, at the same time, send a copy of that notice to the KulshanCLT. Upon receiving a copy of the notice of default and within that period of time in which the Homeowner has a right to cure such default (the "cure period"), the KulshanCLT shall have the right to cure the default on the Homeowner's behalf, provided that all current payments due the Permitted Mortgagee since the notice of default was given are made to the Permitted Mortgagee.
2. If, after the cure period has expired, the Permitted Mortgagee intends to accelerate the note secured by the Permitted Mortgage or begin foreclosure proceedings under the Permitted Mortgage, the Permitted Mortgagee shall first notify KulshanCLT of its intention to do so, and KulshanCLT shall then have the right, upon notifying the Permitted Mortgagee within thirty (30) days of receipt of such notice, to acquire the Permitted Mortgage by paying off the debt secured by the Permitted Mortgage.
3. If the Permitted Mortgagee acquires title to the Home through foreclosure or acceptance of a deed in lieu of foreclosure, the Permitted Mortgagee shall give KulshanCLT written notice of such acquisition and KulshanCLT shall then have an option to purchase the Home from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage. To exercise this option to purchase, KulshanCLT must give written notice to the Permitted Mortgagee of KulshanCLT's intent to purchase the Home within thirty (30) days following KulshanCLT's receipt of the Permitted Mortgagee's notice. KulshanCLT must then complete the purchase of the Home within sixty (60) days of having given written notice of its intent to purchase. If KulshanCLT does not complete the purchase within this 60-day period, the Permitted Mortgagee shall be free to sell the Home to another person.
4. Nothing in the Permitted Mortgage or related documents shall be construed as giving Permitted Mortgagee a claim on KulshanCLT's interest in the Leased Land, or as assigning any form of liability to the KulshanCLT with regard to the Leased Land, the Home, or the Permitted Mortgage.
5. Nothing in the Permitted Mortgage or related documents shall be construed as rendering KulshanCLT or any subsequent Mortgagee of KulshanCLT's interest in this Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt secured by the Permitted Mortgage or any part thereof.
6. The Permitted Mortgagee shall not look to KulshanCLT or KulshanCLT's interest in the Leased Land, but will look solely to Homeowner, Homeowner's interest in the Leased Land, and the Home for the payment of the debt secured thereby or any part thereof. (It is the intention of the parties hereto that KulshanCLT's consent to such the Permitted Mortgage shall be without any liability on the part of KulshanCLT for any deficiency judgment.)
7. 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 Permitted Mortgagee in accordance with the provisions of ARTICLE 9 hereof.
8. KulshanCLT shall not be obligated to execute an assignment of the Lease Fee or other rent payable by Homeowner under the terms of this Lease.

B. RIGHTS OF PERMITTED MORTGAGEE. The rights of a Permitted Mortgagee as referenced under Section 8.6 of the Lease to which this Exhibit is attached shall be as set forth below.

1. Any Permitted Mortgagee shall, without further consent by KulshanCLT, have the right to (a) cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance being effective as if it had been performed by Homeowner; (b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Homeowner by this Lease or otherwise by law, subject to the provisions, if any, in the 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. A Permitted Mortgagee shall not be required, as a condition to the exercise of its rights under the Lease, to assume personal liability for the payment and performance of the obligations of the Homeowner 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 Home and Leased Land. In the event Permitted Mortgagee does take possession of the Home and Leased Land and thereupon transfers such property, 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 KulshanCLT and Homeowner are 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.

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, KulshanCLT shall enter into a new lease for the Leased Land with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to KulshanCLT'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 KulshanCLT 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 Homeowner thereunder. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Land 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 KulshanCLT, Homeowner and the Permitted Mortgagee.

5. The KulshanCLT 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 KulshanCLT sends a notice of default under the Lease to Homeowner, KulshanCLT shall also send a notice of Homeowner'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 which has been given by the Permitted Mortgagee to KulshanCLT by a written notice to KulshanCLT sent in the manner set forth in said Section 14.2 of the Lease.

7. 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, at the election of the Permitted Mortgagee the provisions of Article 10, Sections 10.1 through 10.11 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. Before becoming effective, any amendments to this Lease must be approved in writing by Permitted Mortgagee, which approval shall not be unreasonably withheld. If Permitted Mortgagee has neither approved nor rejected a proposed amendment within 60 days of its submission to Permitted Mortgagee, then the proposed amendment shall be deemed to be approved.

C. STANDARD PERMITTED MORTGAGE AGREEMENT. A Standard Permitted Mortgage Agreement, as identified in Section 8.4 of this Lease, shall be written as follows, and shall be signed by Mortgagee and Homeowner.

This Agreement is made by and among:

_____ (Mortgagee) and
_____ ("Homeowner"),

Whereas:

- a) _____ KulshanCLT ("KulshanCLT") and Homeowner have entered, or are entering, into a ground lease ("the Lease"), conveying to Homeowner a leasehold interest in the Land located at _____ ("the Leased Land"); and Homeowner has purchased, or is purchasing, the Home located on the Leased Land ("the Home").
- b) The Mortgagee has been asked to provide certain financing to the Homeowner, and is being granted concurrently herewith a mortgage and security interest (the "Mortgage") in the Leased Land and Home, all as more particularly set forth in the Mortgage, attached hereto as Schedule A.
- c) The Ground Lease states that the Homeowner may mortgage the Leased Land only with the written consent of KulshanCLT. The Ground Lease further provides that KulshanCLT is required to give such consent only if the Mortgagee signs this Standard Permitted Mortgage Agreement and thereby agrees to certain conditions that are stipulated herein ("the Stipulated Conditions").

Now, therefore, the Homeowner/Mortgagor and the Mortgagee hereby agree that the terms and conditions of the Mortgage shall include the Stipulated Conditions stated below.

Stipulated Conditions:

1) If Mortgagee sends a notice of default to the Homeowner because the Homeowner has failed to comply with the terms of the Mortgage, the Mortgagee shall, at the same time, send a copy of that notice to the KulshanCLT. Upon receiving a copy of the notice of default and within that period of time in which the Homeowner has a right to cure such default (the "cure period"), the KulshanCLT shall have the right to cure the default on the Homeowner's behalf, provided that all current payments due the Permitted Mortgagee since the notice of default was given are made to the Mortgagee. The cure period for KulshanCLT shall begin to run on the date when KulshanCLT actually receives the notice of default, and not on the date the notice of default is sent or received by the Homeowner.

2) If, after such cure period, the Mortgagee intends to accelerate the note secured by the Mortgage or initiate foreclosure proceedings under the Mortgage, in accordance with the provisions of the Lease, the Mortgagee shall first notify KulshanCLT of its intention to do so and KulshanCLT shall have the right, but

not the obligation, upon notifying the Mortgagee within thirty (30) days of receipt of said notice of intent to accelerate, to purchase the Mortgagee loans and to take assignment of the Mortgage.

3) If the Mortgagee acquires title to the Home and Homeowner's interest in the Leased Land through foreclosure or acceptance of a deed in lieu of foreclosure, the Mortgagee shall give KulshanCLT written notice of such acquisition and KulshanCLT shall have an option to purchase the Home and Homeowner's interest in the Leased Land from the Mortgagee for the full amount owing to the Mortgagee; provided, however, that KulshanCLT notifies the Mortgagee in writing of KulshanCLT's intent to make such purchase within thirty (30) days following KulshanCLT's receipt of the Mortgagee's notice of such acquisition of the Home and Homeowner's interest in the Leased Land; further provided that KulshanCLT shall complete such purchase within sixty (60) days of having given written notice of its intent to purchase; and provided that, if KulshanCLT does not complete the purchase within such period, the Mortgagee shall be free to sell the Home and Homeowner's interest in the Leased Land to another person;

4) Nothing in the Mortgage or related documents shall be construed as giving the Mortgagee a claim on KulshanCLT's interest in the Leased Land, or as assigning any form of liability to KulshanCLT with regard to the Leased Land, the Home, or the Mortgage.

5) Nothing in the Mortgage shall be construed as rendering KulshanCLT or any subsequent holder of KulshanCLT's interest in and to the 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.

6) The Mortgagee shall not look to KulshanCLT or KulshanCLT's interest in the Leased Land, but will look solely to Homeowner and Homeowner's interest in the Leased Land and the Home for the payment of the debt secured by the Mortgage. KulshanCLT's consent to the Mortgage shall be without any liability on the part of KulshanCLT for any deficiency judgment in the case of any foreclosure.

7) In the event that any part of the Leased Land is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the Mortgagee in accordance with the provisions of Article 9 of the Lease.

8) Nothing in the Mortgage shall obligate KulshanCLT to execute an assignment of the Lease Fee or other rent payable by Homeowner under the terms of this Lease.

By:

_____ for Mortgagee Date: _____
_____ for Homeowner/Mortgagor Date: _____

Exhibit FIRST REFUSAL

Whenever any party under the Lease shall have a right of first refusal as to certain property, the following procedures shall apply. If the owner of the property offering it for sale ("Offering Party") shall within the term of the Lease receive a bona fide third party offer to purchase 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 of such offer ("the Notice of Offer") to Holder setting forth (a) the name and address of the prospective purchaser of the property, (b) the purchase price offered by the prospective purchaser and (c) all other terms and conditions of the sale. Holder shall have a period of forty-five (45) days after the receipt of the Notice of Offer ("the Election Period") within which to exercise the right of first refusal by giving notice of intent to purchase the property ("the Notice of Intent to Purchase") for the same price and on the same terms and conditions set forth in the Notice of Offer. Such Notice of Intent to Purchase shall be given in writing to the Offering Party within the Election Period.

b) If Holder exercises the right to purchase the property, such purchase shall be completed within sixty (60) days after the Notice of Intent to Purchase is given by Holder (or if the Notice of Offer shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice of Offer, including payment of the purchase price provided therein.

c) Should Holder fail to exercise the right of first refusal within the Election Period, then the Offering Party shall have the right (subject to any other applicable restrictions in the 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-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-year period, the purchaser shall purchase subject to the Holder having a renewed right of first refusal in said property.

Exhibit COMMUNITY LAND TRUST GROUND LEASE RIDER

THIS COMMUNITY LAND TRUST GROUND LEASE RIDER (the "Rider") is made this _____ day of _____, _____, and amends and supplements a certain ground lease (referred to herein as "the KulshanCLT Ground Lease") dated _____ that is by and between _____ as lessor (herein referred to as "the "Lessor" but may otherwise be referred to in the KulshanCLT Ground Lease as "KulshanCLT") and _____, as lessee (herein

referred to as "the "Lessee" but may otherwise be referred to in the KulshanCLT Ground Lease as "Homeowner"). This Rider shall be deemed incorporated into the KulshanCLT Ground Lease, and the KulshanCLT Ground Lease as amended by this Rider, shall hereafter be referred to as the "Lease," unless otherwise indicated.

The KulshanCLT Ground Lease is a long-term lease of the Lessor's fee interest in the land located at _____, referred to herein as the "Leased Land," as improved by a residential structure or unit, referred to herein as the "Improvements." The Leased Land and the Improvements are collectively referred to herein as the "Leased Premises."

This Rider amends the KulshanCLT Ground Lease for the purpose of enabling the Lessee to obtain Fannie Mae financing in the form of a mortgage or deed of trust given this ___ day of _____, _____, by Lessee to _____ (the "Specified Mortgage"), and the interest of the Specified Mortgagee in the Leased Premises as secured by such mortgage or deed of trust may be referred to herein as the "Leasehold Estate." The Specified Mortgage is recognized by Lessor as a "Permitted Mortgage" (or as such concept is otherwise defined) under the KulshanCLT Ground Lease, and the holder of the Specified Mortgage (the "Specified Mortgagee") is recognized as a "Permitted Mortgagee" (or as such concept is otherwise defined) under the KULSHANCLT Ground Lease.

ADDITIONAL COVENANTS. Notwithstanding anything to the contrary contained in the KulshanCLT Ground Lease, and in addition to the covenants and agreements made in the KulshanCLT Ground Lease, the Lessor and the Lessee further covenant and agree, so long (but only so long) as the Specified Mortgagee, its successors and assigns shall have an interest in the Leased Premises, as a holder of the Specified Mortgage or as an owner of the Lessee's interest pursuant to any sale after or in lieu of foreclosure, the following provisions shall apply to the KulshanCLT Ground Lease as modifications thereof:

- A. **No Assignment or Transfer.** The making of the Specified Mortgage shall not be deemed to constitute an assignment or transfer of the Lease or Leasehold Estate so as to require the Specified Mortgagee to assume the performance of any of the Lessee's obligations under the Lease.
- B. **Status of the Fee Estate.** The Lessor represents and warrants that there is no existing mortgage on the fee estate, and so long as the Specified Mortgage shall remain on the Leased Premises, the Lessor and the Lessee shall not subordinate the Lease to any mortgage or lien that may hereafter be placed on the fee estate. Notwithstanding the foregoing, a state- or local-government entity ("Government Entity") may hold a prior recorded interest (represented by recorded covenants, a mortgage or deed of trust, other lien) on the fee estate if the Government Entity has agreed that in the event it (including its successors and assigns) succeeds to the interest of the Lessor under the Lease by any remedy available to the Government Entity by law or pursuant to its lien, the Government Entity shall recognize all the terms of the Lease and this Rider as though the Government Entity were acting as the Lessor. Such recognition must include, but is not limited to, the provisions of this Rider whereby all provisions of the Lease regarding (a) occupancy of the Leased Premises as a primary residence by the Lessee, (b) limitation on assignment of, or sublease under, the Lease, (c) the price at which the Leasehold Estate may be transferred, and (d) the income of successive transferees, assignees or successors, shall, in the event of foreclosure or assignment in lieu of foreclosure of the Specified Mortgage, be of no further force or effect with respect to such Specified Mortgagee or its successive transferees, assignees or successors. Further, in such event of the Government Entity succeeding to the interests of the Lessor, the Lessee hereby agrees to recognize the Government Entity as exercising all rights and privileges of the Government Entity as lessor under the Lease and this Rider.

Such agreement by the Government Entity may be evidenced by the agreement between the Government Entity and the Lessor under which the Government Entity's prior recorded interest is derived, or by use of a recognition agreement derived from a sample the Specified Mortgagee may obtain from Fannie Mae. Irrespective of any interest by a Government Entity, the Specified Mortgage shall constitute a first leasehold lien on the Leased Premises, and shall have priority over the Lessor's reversionary interest. If the Lessor conveys title to the Leased Land while the Specified Mortgage remains on the Leased Premises, the Lease shall remain in effect with the same priority thereto.

- C. **Termination, Forfeiture and Modification of Lease.** There shall be no termination, forfeiture, or modification of the Lease, except as provided in this Rider, without the prior written consent of the Specified Mortgagee. The Lessor and Lessee shall amend the Lease from time to time as reasonably requested by the Specified Mortgagee, as long as the requested changes do not change the periodic fee, charge or payment due the Lessor for the rights accorded the Lessee under the Lease (the "Ground Lease Fee"), and do not materially or adversely affect the rights of Lessor or Lessee or their respective interests in the Leased Premises. An adjustment of the Ground Lease Fee may be made by the Lessor as provided in the Lease, without prior approval of the Specified Mortgagee, so long as written notice has been delivered to the Specified Mortgagee at least 60 days prior to the effective date of such adjustment with respect to adjustments other than those (i) that were scheduled at the time the Specified Mortgage was given, and (ii) reflecting routine, periodic updates to variable expenses such as property taxes and liability insurance premiums; provided, however, that the Specified Mortgagee shall have the right to arbitrate (as provided herein) any dispute as to an adjustment of the Ground Lease Fee.
- D. **New Lease.** In the event the Lessee's interest in the Lease has been terminated, forfeited, or surrendered as provided in the Lease, and the Specified Mortgage remains outstanding, a new Lease shall automatically be created between the Lessor and the Specified Mortgagee, which Lease shall be for the remainder of the term of the Lease, with the same priority thereto, and shall be subject to the same terms of the Lease as would be applicable pursuant to Section E.1. below where the Specified Mortgagee had accelerated its note, foreclosed on the Specified Mortgage, taken an assignment in lieu of foreclosure, or

exercised its other remedies for default.

- E. **Mortgage Default or Foreclosure.** Subject to the following, upon the occurrence of an event of default under the Specified Mortgage (as determined by the Specified Mortgagee—an “Event of Default”), and without the consent of the Lessor, the Specified Mortgagee shall be permitted to accelerate its note, foreclose on the Specified Mortgage, take an assignment in lieu of foreclosure, or exercise its other remedies for default. Further:

1. Upon the occurrence of an Event of Default under the Specified Mortgage, the Lessee shall immediately notify the Lessor of such Event of Default and shall submit to Lessor copies of all notices the Lessee received from the Specified Mortgagee relating thereto. The Specified Mortgagee and the Lessor shall endeavor to communicate and cooperate in efforts to deal with the circumstances of the Event of Default and the actions the parties may take relating thereto; provided, however, the Specified Mortgagee shall have no obligation to give formal legal notice of the Event of Default to the Lessor.

2. The Lessee and the Specified Mortgagee agree that the Lessor shall have the right, but not the obligation, to cure an Event of Default in the Lessee’s name and on the Lessee’s behalf. If such cure is not effective and continuing, nothing herein shall be construed to prevent or delay the Specified Mortgagee from its pursuit of foreclosure and any other available remedies. The Lessee shall be responsible to the Lessor for all payments made, and expenses incurred, by the Lessor in curing such default.

3. Should the Lessor not choose to cure an Event of Default as specified above, the Lessor shall nevertheless have the option to purchase from the Specified Mortgagee its interest in the -Leasehold Estate on the Leased Premises for the full amount owing to the Specified Mortgagee under the Specified Mortgage as of the date of closing of the purchase, upon written notice given by the Specified Mortgagee (the "Mortgagee Option Notice") not later than 60 days following acquisition of title to the Leasehold Estate by the Specified Mortgagee by foreclosure or by an assignment in lieu of foreclosure; provided, however, the Specified Mortgagee may give such written notice following the occurrence of an Event of Default under the Specified Mortgage and prior to the completion of foreclosure proceedings. If the Lessor elects to exercise such option to purchase, the Lessor shall give written notice to the Specified Mortgagee of the Lessor's intent to purchase the Leasehold Estate (the "Lessor Option Notice") within 45 days following the Specified Mortgagee's giving of the Mortgagee Option Notice; provided, however, at the option of the Lessor, in the event the Mortgagee Option Notice is given prior to the completion of foreclosure proceedings by the Specified Mortgagee, the Lessor shall, within such 45-day period, be able to give a written notice to the Specified Mortgagee that it will delay giving the Lessor Option Notice until a date that is not later than 30 days following written notice from the Specified Mortgagee of its acquisition of title to its interest in the Leasehold Estate on the Leased Premises.

The Lessor shall complete the purchase of the Specified Mortgagee’s interest in the Leasehold Estate within 60 days of giving the Lessor Option Notice. If the Lessor does not complete the purchase within the allotted 60 days, the Specified Mortgagee shall be free to sell its interest to another person or entity. Further, if the Lessor does not complete the purchase within the allotted 60 days, the Lessor agrees to pay to the Specified Mortgagee its costs of holding its interest in the Leasehold Estate from the date of the Lessor Option Notice until the expiration of such 60-day period. If the Lessor does not purchase the Specified Mortgagee’s interest in the Leasehold Estate as described herein, the Leasehold Estate may be transferred, mortgaged and sublet an unlimited number of times, and the Lessor shall not require a credit review or impose other qualifying criteria on any such transferee, mortgagee or sublessee.

4. In the event of foreclosure or assignment in lieu of foreclosure, which results in the conveyance of the Leasehold Estate on the Leased Premises from the Lessee, any adjustment of the Ground Lease Fee to reflect then current fair market rental value as provided in the Lease, shall be subject to the approval of the Specified Mortgagee. The Specified Mortgagee and the Lessor shall attempt to resolve any dispute concerning such adjustment of the Ground Lease Fee, through the normal interaction of the parties, or through formal mediation as the case may warrant. If the dispute remains unresolved, the Specified Mortgagee and the Lessor shall submit the dispute as to the fair market rental value to binding arbitration.

5. In the event the Specified Mortgagee acquires title to the Leasehold Estate on the Leased Premises through foreclosure or assignment in lieu of foreclosure of the Specified Mortgage, all provisions of the Lease regarding (a) occupancy of the Leased Premises as a primary residence by the Lessee, (b) any limitation on the assignment of, or sublease under, the Lease, (c) any obligation to target certain populations in marketing the Leasehold Estate to potential transferees, (d) the price at which the Leasehold Estate on the Leased Premises may be transferred, and (e) the income of successive transferees, and their successors and assigns, shall be of no further force or effect with respect to such Specified Mortgagee or its successive transferees, assignees or successors. The foregoing sentence shall not be construed to invalidate other Lease provisions regarding permitted use of the Leased Premises. Any transfer or assignment of the Leasehold Estate encumbered by the Specified Mortgage as provided for in this paragraph shall be deemed a permitted sale, transfer or assignment of the Lease and the Leasehold Estate. Further, in such event, the Leasehold Estate may be transferred, mortgaged and sublet an unlimited number of times, and the Lessor shall not require a credit review or impose other qualifying criteria on any such transferee, mortgagee or sublessee.

- F. **Lease Default.** There shall be no forfeiture or termination of the Lease except for (i) the nonpayment of amounts due under the Lease, and (ii) violation of one or more provisions of the Lease addressing the following: (a) prohibition or restrictions on the sale or transfer of the Lessee's interest (however, non-

sale transfers resulting from marriage, divorce, death of a spouse, or a transfer otherwise permitted by applicable federal law, may not constitute a basis for default under the Lease, though the Lessor may require such transferee to agree to assume the transferor's obligations under the Lease), and (b) requirement that the Lessee occupy the Leased Premises as primary residence. Provided, however, such forfeiture or termination shall be subject to the Specified Mortgagee's right to cure a monetary default, or otherwise foreclose or take an assignment of the Leasehold Estate in lieu of foreclosure with respect to the Lessee's monetary or non-monetary default. Notwithstanding the foregoing, nothing herein shall be construed to require the Specified Mortgagee to cure any non-monetary default. Further, the Specified Mortgagee shall become subrogated to any and all rights of the Lessee with respect to such curing of a default. If the Lessee's default shall be cured as provided in the Lease, and the Specified Mortgagee shall discontinue its foreclosure or assignment in lieu of foreclosure proceedings, the Lease shall continue in full force and effect as if the Lessee had not defaulted. A default by the Lessee under the Lease shall constitute a default under the Specified Mortgage.

- G. **Lease Default Notice.** Notwithstanding the notice requirements provided in the Lease, no default notice by the Lessor shall be deemed to have been given unless and until a copy thereof shall have been so given to the Specified Mortgagee.
- H. **Insurance.** All insurance policies covering the Improvements shall by endorsement name the Specified Mortgagee as an additional insured and loss payee, and provide the Specified Mortgagee with 30 days' cancellation notice.
- I. **Casualty and Condemnation.** If the Leased Premises are destroyed or taken to such an extent that the Lease is to be terminated, the insurance proceeds or condemnation award, as the case may be, shall be applied first in an amount sufficient to satisfy the Specified Mortgage. Upon the termination of the Lease as a result of a partial destruction or a condemnation of less than the entire Leased Premises, the total insurance proceeds or condemnation award, as the case may be, shall be paid to an appointed trustee, who shall first apply such insurance proceeds or condemnation award in accordance with the Specified Mortgage for restoration of the Improvements (if such trustee determines that the Improvements may reasonably be restored to a residential use consistent with the Lease), with the balance of such insurance proceeds or condemnation award to be allocated between the Lessor and Lessee as otherwise provided in the Lease. The Specified Mortgagee shall be entitled to participate in (i) the adjustment of all casualty losses and (ii) all condemnation proceedings and settlement discussions. Any insurance proceeds or condemnation award shall be applied in accordance with the Specified Mortgage. The Specified Mortgagee shall also be entitled to participate in the adjustment of the Ground Lease Fee as a result of a partial destruction or taking.
- J. **Force Majeure.** The Lessee shall not be in default where performance is delayed or prevented by "Acts of God," war, civil commotion, strikes, labor disputes or the like.
- K. **Easements and Alterations.** Additions to and alternations in the Improvements may be made as provided in the Lease, as long as the value of the Leased Premises is not diminished. The Lessor, as owner of the fee interest in the Leased Land, shall join in all easements, permits and applications necessary for such development of the Leased Premises as is permitted under the Lease, provided that the Lessor shall have no liability or obligation under such easement, permit or application.
- L. **Arbitration.** The Specified Mortgagee shall have the right to participate in any arbitration or legal proceedings between the Lessor and the Lessee. Any arbitration proceedings shall be conducted in accordance with arbitration statutes applicable in the state where the Leased Premises are located.
- M. **Merger.** If the estates of the Lessor and Lessee are at any time owned by the same person, so long as the Specified Mortgagee has any interest in the security or in the Specified Mortgage, such person shall take all necessary steps to ensure that the Specified Mortgage constitutes a first lien on the combined estate.
- N. **Sublease.** There shall be no modification, cancellation, or surrender of any subleases, or prepayment of rent thereunder without the consent of the Specified Mortgagee. If the Specified Mortgagee forecloses on the Leased Premises, or takes an assignment in lieu of foreclosure, all subtenants shall attorn to such Specified Mortgagee or its assignee.
- O. **Estoppel Certificate.** The Lessor shall, from time to time, with 10 days written notice from the Specified Mortgagee, certify by written instrument, duly executed and acknowledged, to such Specified Mortgagee that the Lease has not been amended, the Lease is in full force and effect, that neither party is in default thereunder, and shall certify as to the existence of any offsets, counterclaims or defenses on the part of the Lessee.
- P. **Conflict.** In the event of a conflict between the terms and provisions of this Rider and the terms and provisions of the Lease, the terms and provisions of this Rider shall control.

BY SIGNING BELOW, the Lessor and the Lessee accept and agree to the terms and conditions of this Rider. IN WITNESS WHEREOF, the parties have executed this Rider at _____, on the day and year first written above.

LESSOR: _____

By Dean Fearing

Title: Executive Director of Kulshan Community Land Trust

LESSEE: _____
By **Homeowner Name**

BY SIGNING BELOW, the Lessor and the Lessee accept and agree to the terms and conditions of this Lease.
IN WITNESS WHEREOF, the parties have executed this Lease at Bellingham, on the day and year first written above.

LESSOR: _____

By: Dean Fearing
Title: Executive Director of Kulshan Community Land Trust

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this ____ day of _____, **20**, before me, the undersigned, a Notary Public in and for the State of Washington Duly commissioned and sworn, personally appeared Dean Fearing to me known to be the Executive Director of Kulshan Community Land Trust the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated the he is authorized to execute the said instrument.

Joann Steidl
NOTARY PUBLIC in and for the State of Washington,
residing at Whatcom County
My commission expires _____

LESSEE: _____
By **Homeowner Name**

Lessee's Notary Acknowledgment

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this day personally appeared before me **Homeowner Name** to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal ____ day of _____, **20**.

Joann Steidl
NOTARY PUBLIC in and for the State of Washington,
residing at Whatcom County
My commission expires _____

Other Exhibits to be Attached as Appropriate

Exhibit LAND [*Correct legal description of area of Leased Land and appurtenant title rights and obligations.*]