

METHOW HOUSING TRUST GROUND LEASE

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- Exhibit DEED
- Exhibit PERMITTED MORTGAGES
- Exhibit FIRST REFUSAL

Other Exhibits to be Attached as Appropriate

- Exhibit ZONING
- Exhibit RESTRICTIONS
- Exhibit INITIAL APPRAISAL

METHOW HOUSING TRUST GROUND LEASE

THIS LEASE (“this Lease” or “the Lease”) entered into this _____ day of _____, 20____, between METHOW HOUSING TRUST (“MHT”) and _____ (“Homeowner”).

RECITALS

- A.** The MHT 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 MHT 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 MHT in furtherance of this goal.
- D.** The Homeowner shares the purposes of the MHT 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 MHT.
- E.** Homeowner and MHT 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 MHT 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 MHT agree on all of the terms and conditions of this Lease as set forth below.

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

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

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.

Added Value: The additional value for improvements to the Home that satisfy the criteria set forth in Section 10.10.

Base Price: The total price that is paid for the Home by the Homeowner (including the amount provided by a first mortgage loan but not including subsidy in the form of deferred loans to the Homeowner).

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.

Lease Fee: The monthly fee that the Homeowner pays to the MHT for the continuing use of the Leased Land.

Fee: The total Fee or Fees charged to the Homeowners under Article 5.

Homeowners Association Dues: Any amounts assessed by the Homeowners Association, and which are collected by MHT, in accordance with the CC&Rs.

Homeowners Association: The association of homeowners of the MHT Neighborhood, whether or not such association is incorporated or otherwise has independent legal status.

MHT Neighborhood: the contiguous neighborhood of MHT Homes in which Homeowner's Home is located.

CC&Rs: The "Covenants, Conditions & Restrictions", or other document of similar intent, that has been approved by the MHT and the Homeowners Association and has been filed of record, and which defines certain duties and rights of, and restrictions on, home ownership within the neighborhood, as the same may be revised from time to time.

Leasehold Value: The unrestricted appraised value of the Leased Land and the Home.

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 MHT's Permission. The Homeowner may not mortgage the MHT's interest in the Leased Land, and may not grant any mortgage or deed of trust without MHT's Permission.

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 MHT.

Short Term Rental: Any rental of a duration less than 30 days.

ARTICLE 1: Homeowner's Letter of Agreement is Attached as Exhibit.

Attached as Exhibit HOMEOWNER'S LETTER OF AGREEMENT and made part of this Lease by reference is 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).

ARTICLE 2: Leasing of Rights to the Land

2.1 MHT LEASES THE LAND TO HOMEOWNER: The MHT 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. MHT has furnished to Homeowner a copy of the most current title report, if any, obtained by MHT 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: MHT 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 MHT, but the MHT 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 _____, 20__, 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 MHT 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, MHT 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 MHT 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 MHT 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 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 MHT 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 MHT shall record this memorandum in accordance with the requirements of law promptly after the beginning of the renewal period.

3.3 WHAT HAPPENS IF MHT DECIDES TO SELL THE LEASED LAND: If ownership of the Leased Land is ever transferred by MHT (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 MHT 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. Use of the Leased Land shall be further limited by the restrictions described in the CC&Rs.

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, 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.

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 months of each year of this Lease, unless otherwise agreed by MHT. Occupancy by Homeowner's child, spouse, domestic partner or other persons approved by MHT shall be considered occupancy by Homeowner. Neither compliance with the occupancy requirement nor MHT'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 MHT'S 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 part of the Leased Land or Home, or for any period of time, without the written permission of MHT. Homeowner agrees that MHT 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 MHT, plus an amount approved by MHT to cover Homeowner's costs in owning the Home, including but not limited to the cost of mortgage payments (principal and interest), taxes and insurance.

4.6 MHT HAS A RIGHT TO INSPECT THE LEASED LAND: The MHT 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 24 hours before the planned inspection. No more than one regular inspection may be carried out in a single year, except in the case of an emergency. In an emergency, the MHT 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 MHT has received an Intent-To-Sell Notice (as described in Section 10.4 below), then the MHT has the right to inspect the interiors of all fully enclosed buildings to determine their condition prior to the sale. The MHT 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. The MHT has no desire or intention to interfere with the personal lives, associations, expressions, or actions of the Homeowner in any way not permitted by this Lease.

4.8 NO SHORT TERM RENTALS: Under no circumstances may any portion of the Leased Land or Home be rented or leased as a short term or nightly rental.

ARTICLE 5: Fees

5.1 AMOUNT OF MONTHLY FEE: The Homeowner shall pay a monthly amount (“Fee” or “Fees”) equal to the sum of (a) a Lease Fee of \$50 to be paid in return for the continuing right to possess, occupy and use the Leased Land, plus (b) an Exterior Repair and Replacement Reserve Fee of \$35 to be held by the MHT and used for the purpose of preserving the physical quality of the Home for the long term in accordance with Section 7.6 below, plus (c) a Stewardship Fee (Article 5.9), if applicable, in the amount of _____, plus (d) Homeowners Association Dues, if applicable.

5.2 WHEN THE FEE IS TO BE PAID: The Fee shall be payable to MHT on the fifth (5th) day of each month for as long as this Lease remains in effect, unless the Fee is to be escrowed and paid by a Permitted Mortgagee, in which case payment shall be made as directed by that Mortgagee.

5.3 HOW THE AMOUNT OF THE LEASE FEE HAS BEEN DETERMINED: The amount of the Lease Fee stated in Section 5.1(a) above has been determined as follows. First, the approximate monthly fair rental value of the Leased Land has been established, as of the beginning of the Lease term, recognizing that the fair rental value is reduced by certain restrictions imposed by the Lease on the use of the Land. Then the affordability of this monthly amount, plus the amount of the Repair Reserve Fee, for the Homeowner has been analyzed and, if necessary, the Lease Fee has been reduced to an amount considered to be affordable for Homeowner.

5.4 MHT MAY REDUCE OR SUSPEND THE LEASE OR STEWARDSHIP FEE TO IMPROVE AFFORDABILITY: MHT may reduce or suspend the total amount of the Lease Fee and/or the Stewardship 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 MHT.

5.5 FEES MAY BE INCREASED FROM TIME TO TIME: The MHT may increase the amount of the Lease Fee, the Exterior Repair Reserve Fee, and/or the Stewardship Fee from time to time, but not more often than once every five 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.

5.6 LEASE 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 Lease Fee shall be increased to an amount calculated by MHT to equal the fair rental value of the Leased Land for use not restricted by the suspended provisions. Such increase shall become effective upon MHT's written notice to Homeowner. Thereafter, for so long as these restrictions are not reinstated in the Lease, the MHT may, from time to time, further increase the amount of such Lease Fee, provided that the amount of the Lease 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 two years.

5.7 IF PAYMENT IS LATE, LATE FEES CAN BE CHARGED: If the MHT has not received any monthly installment of the Fee on or before the date on which such installment first becomes payable under this Lease (the "Due Date"), the MHT may require Homeowner to pay a late fee. Such late fee shall be deemed additional Fees and shall be paid by Homeowner to MHT upon demand; provided, however, that MHT shall waive any such late fee that would otherwise be payable to MHT if such payment of the original Fee is received by MHT on or before the thirtieth (30th) day after the Due Date.

5.8 MHT CAN COLLECT UNPAID FEES WHEN HOME IS SOLD: In the event that any amount of payable Fees remains unpaid when the Home is sold, the outstanding amount of payable Fees, including any late fees as provided above, shall be paid to MHT out of any proceeds from the sale that would otherwise be due to Homeowner. The MHT shall have, and the Homeowner hereby consents to, a lien upon the Home for any unpaid Fees. 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.

5.9 MHT MAY COLLECT A STEWARDSHIP FEE FROM HOMEOWNER: MHT's policy is to price all homes in the MHT Neighborhood in a manner that is consistent for all eligible buyers, regardless of their actual income level. Because the price of a MHT home will be set to enable eligible buyers at the lower end of the eligibility scale to purchase that home, buyers at the higher end of the eligibility scale will realize a greater benefit from the subsidy that MHT invests in their homes. The Stewardship Fee is a graduated fee assessed on eligible buyers at these higher levels of income for the purpose of supporting MHT and its long term mission. The Stewardship Fee applicable to the Homeowner will be determined at the time of purchase based on MHT's graduated fee schedule.

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 MHT's interest in the Leased Land).

6.2 MHT WILL PASS ON ANY TAX BILLS IT RECEIVES TO HOMEOWNER: In the event that the local taxing authority bills MHT for any portion of the taxes on the Home or Leased Land, MHT 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, MHT shall join in contesting such taxes. All costs of such proceedings shall be paid by Homeowner.

6.4 IF HOMEOWNER FAILS TO PAY TAXES, MHT MAY INCREASE LEASE FEE: In the event that Homeowner fails to pay the taxes or other charges described in Section 6.1 above, MHT may increase Homeowner's Lease Fee to offset the amount of taxes and other charges owed by Homeowner. Upon collecting any such amount, MHT 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 the usual method of furnishing such evidence.

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 the MHT's option to purchase the Home. In addition, Homeowner shall not remove any part of the Home from the Leased Land without MHT'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 the issuance of a building permit, if required; (c) all changes in the Home shall be consistent with the permitted uses described in Article 4; and (d) the prior written consent of MHT shall be required for any construction that (i) changes the footprint, heated square-footage, or height of the house (including the addition of rooftop solar array(s) or other rooftop structures), (ii) encloses any previously unheated space (e.g. the carport or garage), or (iii) adds new structures to the Leased Land. Under no circumstances will MHT consent to the enclosure of a carport or garage if the completed enclosure will not allow the original space to be used for parking a vehicle.

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

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

If the MHT finds it needs additional information it shall request such information from Homeowner within two weeks of receipt of Homeowner's request. The MHT 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 MHT with copies of all necessary building permits, if not previously provided. All approved work shall be performed by licensed, bonded and insured contractors, unless this requirement is waived by MHT.

7.4 HOMEOWNER MAY NOT ALLOW STATUTORY LIENS TO REMAIN AGAINST LEASED LAND OR HOME: No lien of any type shall attach to the MHT'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 MHT of such failure. MHT 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 MHT 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 and water. MHT 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.

7.6 AN EXTERIOR REPAIR AND REPLACEMENT RESERVE FUND IS ESTABLISHED TO SUPPORT FUTURE REPAIRS:

(a) The parties acknowledge that the Homeowner is responsible for all maintenance and repair of the Home, as set forth in this Lease. As an additional assurance that all Homeowners are able to comply with their maintenance and repair obligations, MHT and Homeowner agree that an Exterior Repair and Replacement Reserve Fee will be collected from each Homeowner as part of the Fee, as provided in Section 5.1(b) and held as a reserve by MHT for any significant required maintenance and repair of the roof, exterior siding, windows, exterior paint and finishes, or similar features of the Home.

(b) The Exterior Repair and Replacement Reserve Fee shall be held in a separate fund for each Home and shall only be released by MHT at its sole discretion for each individual property for which the Exterior Repair and Replacement Reserve Fee was paid. Homeowner may request release of the funds, and MHT shall release funds at its sole discretion, if the requested use is found to be necessary and in accordance with the fund's intended use. MHT may reasonably withhold Exterior Repair and Replacement Reserve Fee funds if the requested use is for purely aesthetic exterior alterations (such as a change in paint color when existing paint is still in good condition) or to repair items damaged by neglect.

(c) Homeowner acknowledges that the Exterior Repair and Replacement Reserve Fund is intended for, and shall remain with, the Home and not the Homeowner. In the event the Home is sold or transferred by Homeowner, the unused Exterior Repair and Replacement Reserve funds will be retained in the fund by MHT for future maintenance and repair needs to the Home and will not be recoverable by or returned to Homeowner for any purpose other than those described in Section 7.6(a). It is the Homeowner's responsibility to fund from Homeowner's resources all required maintenance and repair needs of the Home that are not, or cannot be, covered by the Exterior Repair & Replacement Reserve funds held by MHT.

7.7 WHEN LEASE ENDS, OWNERSHIP REVERTS TO MHT, WHICH SHALL REIMBURSE HOMEOWNER: Upon the expiration or termination of this Lease, ownership of the Home shall revert to MHT. Upon thus assuming title to the Home, MHT shall promptly pay Homeowner and Permitted Mortgagee(s), as follows:

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

SECOND, MHT 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 Fees and any other amounts owed to the MHT 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 attorneys' fees incurred by the MHT.

ARTICLE 8: Financing

8.1 HOMEOWNER CANNOT MORTGAGE THE HOME WITHOUT MHT'S PERMISSION: The Homeowner may mortgage the Home only with the written permission of MHT. Any mortgage or deed of trust permitted in writing by the MHT is defined as a Permitted Mortgage, and the holder of such a mortgage or deed of trust is defined as a Permitted Mortgagee.

8.2 BY SIGNING LEASE, MHT GIVES PERMISSION FOR ORIGINAL MORTGAGE: By signing this Lease, MHT gives written permission for any mortgage or deed of trust signed by the Homeowner effective on the day this Lease is signed for the purpose of financing Homeowner's purchase of the Home.

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 MHT, in writing, of the proposed terms and conditions of such mortgage loan at least 30 calendar days prior to the expected closing of the loan. The information to be provided to the MHT 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; and
- g. a copy of the appraisal commissioned in connection with the loan request.

MHT may also require Homeowner to submit additional information. MHT will not permit such a mortgage loan if the loan increases Homeowner's total mortgage debt to an amount greater than the lesser of (i) 95% of the Formula Price as calculated in accordance with Article 10 below, or (ii) 80% of the Leasehold Value, or if the terms of the transaction otherwise threaten the interests of either the Homeowner or the MHT.

8.4 MHT IS REQUIRED TO PERMIT A "STANDARD PERMITTED MORTGAGE": The MHT 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 the lesser of (a) 95% of the Formula Price as calculated in accordance with Article 10 below, or (b) 80% of the Leasehold Value.

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 MHT 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 MHT. Homeowner and MHT 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, Homeowner hereby irrevocably assigns to MHT 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 MHT. If, for any reason, such excess amount is paid to Homeowner, Homeowner hereby agrees to promptly pay such amount to MHT.

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 MHT AGAINST ALL CLAIMS OF LIABILITY. Homeowner shall defend, indemnify and hold MHT 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 MHT for injury or damage on or about the Leased Land. However, MHT shall remain liable for injury or damage due to the grossly negligent or intentional acts or omissions of MHT or MHT’s agents or employees.

9.3 HOMEOWNER MUST REIMBURSE MHT: In the event the MHT shall be required to pay any sum that is the Homeowner’s responsibility or liability, the Homeowner shall reimburse the MHT 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: 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 MHT prior to the commencement of the Lease. Thereafter, if the MHT determines that the replacement value to be insured should be increased, the MHT 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 MHT of the proposed change at least 30 days prior to the time such change would take effect. The change shall not take effect without MHT’s approval.

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.

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 an amount of no less than \$500,000 per occurrence and in the aggregate. The MHT 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 MHT prior to the commencement of the Lease and at each anniversary date thereof.

The dollar amounts of such coverage may be increased from time to time at the MHT's request but not more often than once in any one-year period. MHT 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.

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 MHT of this problem, and MHT 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 MHT.

If Homeowner and MHT cannot agree on a way of restoring the Home in the absence of adequate insurance proceeds, then Homeowner may give MHT 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 the collection of the insurance proceeds;

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

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

FOURTH, to the MHT 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 MHT.

9.6 WHAT HAPPENS IF SOME OR ALL OF THE LAND IS TAKEN FOR PUBLIC USE:

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.

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 MHT.

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, MHT 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, MHT WILL TRY TO HELP HOMEOWNER BUY ANOTHER MHT HOME: If this Lease is terminated as a result of damage, destruction or taking, MHT shall take reasonable steps to allow Homeowner to purchase another home on another parcel of leased land owned by MHT 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 MHT if such a home is not made available.

Article 10:

10.1 INTENT OF THIS ARTICLE IS TO PRESERVE AFFORDABILITY: Homeowner and MHT 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 MHT OR AN INCOME-QUALIFIED PERSON: Homeowner may transfer the Home only to the MHT 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.

“Income-Qualified Person” shall mean a person or group of persons whose household income does not exceed one hundred percent (100%) of Area Median Income (“AMI”) for Okanogan 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 MHT within ninety (90) days of the date of the death. Upon receiving such notice MHT 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,” (hereinafter “Heirs”), provided that a Letter of Agreement (as described in Article 1 above) is submitted to MHT to be attached to the Lease when it is transferred to the Heirs:

- a) the spouse of the Homeowner; or
- b) the 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, and who either (i) are named in the Homeowner’s last will and testament as the intended recipient(s) of the Home, (ii) if the Homeowner dies without a will, are within the class or classes of persons entitled under the law of intestate succession (currently RCW 11.04.015) to receive a distribution of property from the Homeowner’s estate, or (iii) were the primary caregiver(s) of the Homeowner during his/her last year of life.

Any other heirs, legatees or devisees of Homeowner, in addition to submitting Letters of Agreement as provided above, must demonstrate to MHT’s satisfaction that they are an 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 MHT, 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, MHT HAS AN OPTION TO PURCHASE THE HOME: Upon receipt of an Intent-to-Sell Notice from Homeowner, MHT shall have the option to purchase the Home at the Purchase Option Price calculated as set forth below. The Purchase Option 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.

If MHT elects to purchase the Home, MHT 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, MHT may either proceed to purchase the Home directly or may assign the Purchase Option to an Income-Qualified Person.

The purchase (by MHT or MHT's assignee) must be completed within sixty (60) days of MHT's Notice of Exercise of Option, or Homeowner may sell the Home and Homeowner's rights to the Leased Land as provided in Section 10.6 below. The time permitted for the completion of the purchase may be extended by mutual agreement of MHT and Homeowner.

Homeowner may recommend to MHT a prospective buyer who is an Income-Qualified Person and is prepared to submit a Letters of Agreement indicating informed acceptance of the terms of this Lease. MHT shall make reasonable efforts to arrange for the assignment of the Purchase Option to such person, unless MHT determines in its sole discretion 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 MHT 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, to any party regardless of whether that party is an Income-Qualified Person.

10.7 AFTER ONE YEAR MHT SHALL HAVE POWER OF ATTORNEY TO CONDUCT SALE: If MHT 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 appoint MHT 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 MHT's costs of sale and any other sums owed MHT by Homeowner.

10.8 PURCHASE OPTION PRICE EQUALS LESSER OF THE FORMULA PRICE OR 80% OF THE LEASEHOLD VALUE: 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 Formula Price calculated in accordance with Section 10.10 below or (b) 80% of the Leasehold Value at resale. If MHT does not choose to commission an appraisal to determine the Leasehold Value, then the Purchase Option Price shall be the Formula Price.

10.9 RESERVED

10.10 HOW THE FORMULA PRICE IS CALCULATED: The Formula Price shall be equal to the amount of Homeowner's Base Price (which MHT and Homeowner agree is \$_____), plus interest at a rate of 1.5% compounded annually, plus any approved Added Value.

Added Value, if any, shall be calculated in accordance with MHT's Added Value Policy in effect as of the date of this Lease or, at Homeowner's option, in effect as of the date of the improvement. Added Value may include:

(a) the value of approved additional heated living space (but not space created by enclosing and heating the carport or garage) added to the Home in accordance with Section 7.3, calculated as:

(1) the Homeowner's Base Price, plus interest thereon at the rate of 1.5%, compounded annually for the period of ownership,

(2) divided by the original square footage,

(3) multiplied by 50%, and

(4) multiplied by the approved additional heated square footage, plus

(b) the approved value of certain improvements identified in MHT's Added Value Policy, which value shall be capped at five percent (5%) of the Formula Price (not including (a) above).

The total amount of all Added Value under (a) and (b), above, shall not exceed ten percent (10%) of the Formula Price before the addition of such Added Value. Further, in no event shall the addition of Added Value result in a Formula Price that is unaffordable to Income-Qualified Purchasers. All amounts that the Homeowner wishes to include as Added Value hereunder shall be reported to MHT in writing within thirty (30) days after the completion of construction of the improvement(s) for which such Added Value is requested. If the Homeowner fails to timely report the claimed Added Value, MHT shall not be required to recognize or add the claimed Added Value to the Formula Price calculation.

10.11 QUALIFIED PURCHASER SHALL RECEIVE NEW LEASE: The MHT 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 MHT.

10.12 PURCHASER MAY BE CHARGED A TRANSFER FEE: In the event that Homeowner sells the home to a party other than the MHT (whether directly to such party or as a result of MHT'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, and at the discretion of the MHT, a transfer fee to compensate the MHT for carrying out its responsibilities with regard to the transaction. The amount of the transfer fee shall be no more than three percent (3%) 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 before transferring the Home, as follows:

- a) The person(s) purchasing the Home (“Buyer”) shall, prior to purchasing the Home, hire at Buyer’s sole expense a building inspector with a current Home Inspector license from the State of Washington (Department of Licensing), 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 MHT 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 MHT may allow the Homeowner to pay all or a portion of the repair costs after transfer, from Homeowner’s proceeds of sale, if Homeowner cannot afford to pay such costs prior to the transfer. In such event, either (i) 150% of the unpaid estimated cost of repairs or (ii) 100% of the unpaid cost of completed repairs shall be withheld from Homeowner’s proceeds of sale in a MHT-approved escrow account. Also, upon Homeowner’s written request, MHT may, at its discretion, agree to release funds from the External Repair and Replacement Reserve Fund to cover some or all of the cost of such repairs, provided that such use of the Reserve is in full compliance with Section 7.6 above.
- e) Homeowner shall allow MHT, Buyer, and Buyer’s building inspector and lender’s representative to inspect the repairs prior to closing to determine that the repairs have been satisfactorily completed.
- f) 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 REQUIRED PAYMENTS TO MHT: It shall be an event of default if Homeowner fails to pay the Fees 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 MHT 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.

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 MHT 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.

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 defaults on any obligation under the Lease as a result of being judicially declared bankrupt or insolvent according to law, or if any assignment is made of the Home or Homeowner's interest in the Leased Land for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of the Home or Homeowner's interest in the Leased Land by a court of competent jurisdiction.

12.4 A DEFAULT (UNCURED VIOLATION) GIVES MHT THE RIGHT TO TERMINATE THE LEASE AND/OR EXERCISE ITS PURCHASE OPTION:

a) **TERMINATION:** In the case of any of the events of default described above, MHT may terminate this lease and initiate summary proceedings under applicable law against Homeowner, and MHT shall have all the rights and remedies consistent with such laws and resulting court orders to enter the Leased Land and Home and repossess the entire Leased Land and Home, and expel Homeowner and those claiming rights through Homeowner. In addition, MHT 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 MHT pursuant to an Event of Default, then, as provided in Section 7.7 above, upon thus assuming title to the Home, MHT shall pay to Homeowner and any Permitted Mortgagee an amount equal to the Purchase Option Price calculated in accordance with Section 10.8 above, as of the time of reversion of ownership, less the total amount of any unpaid Fees and any other amounts owed to the MHT under the terms of this Lease, plus all reasonable costs (including reasonable attorneys' fees) incurred by MHT in pursuit of its remedies under this Lease.

If MHT 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 MHT (or to MHT's 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, MHT 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 MHT gives notice to the Homeowner of the MHT's intent to exercise its option under this Section 12.4(a), the MHT or its assignee shall purchase the Home for the Purchase Option Price.

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

ARTICLE 13: Mediation and Arbitration

13.1 MEDIATION AND ARBITRATION ARE PERMITTED: 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.

13.2 HOMEOWNER AND MHT SHALL SHARE COST OF ANY MEDIATION OR ARBITRATION: Homeowner and MHT 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 MHT: The Homeowner under this Lease shall automatically be a regular voting member of the MHT.

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 to such other address(es) or recipient(s) as the party has designated by written notice:

If to MHT: Methow Housing Trust
P.O. Box 938
Twisp, WA 98856
Attention: Executive Director

w/ a copy to: Natalie Kuehler, Esq.
Ryan & Kuehler
P.O. Box 3059
Winthrop, WA 98862

If to Homeowner: _____ (name & address of Homeowner)

All notices, demands and requests shall be effective 3 business days after being deposited in the United States Mail or, in the case of personal delivery, upon actual receipt.

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 MHT regarding dealings with brokers other than _____, Homeowner shall defend MHT against such claim with counsel of MHT's selection and shall reimburse MHT 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 MHT 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 MHT'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 all the potential Heirs (as defined in Section 10.3), and of the children of such Heirs which children were alive as of the effective date of this Lease or any renewal thereof.

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, MHT 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: The waiver by MHT at any time of any requirement or restriction in this Lease, or the failure of MHT 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. MHT may grant waivers in the terms of this Lease, but such waivers must be in writing and signed by MHT before being effective. The subsequent acceptance of Fee payments by MHT 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 Fee so accepted, regardless of MHT's knowledge of such preceding breach at the time of acceptance of such Fee payment.

14.7 MHT'S RIGHT TO PROSECUTE OR DEFEND: MHT 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 MHT, Homeowner shall give MHT 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. Wherever in this Lease an action or request is subject to the approval, consent or permission of a party to the Lease, unless specific standards are described in this Lease with respect thereto, such approval, consent or permission shall be within the sole judgment and discretion of the party whose approval, consent or permission is required.

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 MHT and Homeowner with respect to the leasing of the Land and all other matters addressed herein; 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 MHT 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 State. 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 MHT or Homeowner.

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 MHT'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.

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

_____ (MHT)

Witness

By: _____
Its duly authorized agent

_____ (Homeowner):

Witness

[notarize signatures]

Exhibit LETTER OF AGREEMENT

Sample Letter of Agreement

To _____ Community Land Trust (“the MHT”)

Date: _____

This letter is given to the MHT to become an exhibit to a Lease between the MHT and me. I will be leasing a parcel of land from the MHT 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.”

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

In particular I understand and agree with the following points.

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

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 MHT 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 MHT to promote resident ownership of MHT homes. For this reason, my Lease requires that, if I and members of my household 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 MHT homeowner and a member of the MHT, 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

Exhibit DEED

Sample
Deed

Between

METHOW HOUSING TRUST (Grantor), a not-for-profit corporation having its principal offices at _____, _____, _____, and

JOHN AND MARY DOE (Grantees), residing at _____, _____, _____.

Witnesseth

That Grantor, in consideration of one dollar and other good and valuable consideration paid by Grantees, does hereby grant and release unto Grantees, their heirs, or successors and assigns forever,

THE BUILDINGS AND OTHER IMPROVEMENTS ONLY, as presently erected on the Land described in Schedule "A" attached hereto and made a part hereof (the "Improvements").

It is the intention of the parties that the real property underlying the buildings and other improvements conveyed herein remain vested in Grantor, and shall be leased to Grantees for Grantees' use and occupancy (the "Lease"), and that this warranty deed convey only such buildings and other improvements as are presently erected upon the subject Land.

In witness whereof, as authorized agent of Grantor, I hereunto set my hand this ____ day of _____, A.D. 20__.

signature

[notarize signature]

Exhibit PERMITTED MORTGAGES

The rights and provisions set forth in this Exhibit shall be understood to be provisions of Section 8.2 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 MHT 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 MHT. 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 MHT 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 MHT of its intention to do so, and MHT 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 MHT written notice of such acquisition and MHT 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, MHT must give written notice to the Permitted Mortgagee of MHT’s intent to purchase the Home within thirty (30) days following MHT’s receipt of the Permitted Mortgagee’s notice. MHT must then complete the purchase of the Home within sixty (60) days of having given written notice of its intent to purchase. If MHT 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 MHT’s interest in the Leased Land, or as assigning any form of liability to the MHT 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 MHT or any subsequent Mortgagee of MHT’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 MHT or MHT’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 MHT's consent to such the Permitted Mortgage shall be without any liability on the part of MHT 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. MHT shall not be obligated to execute an assignment of the Fees or other amounts 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 MHT, have the right to (a) cure any default of the Homeowner 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 MHT 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, MHT 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 MHT'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 MHT 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 MHT, Homeowner and the Permitted Mortgagee.

5. The MHT 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 MHT sends a notice of default under the Lease to Homeowner, MHT 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 MHT by a written notice to MHT 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) *The Methow Housing Trust ("MHT") 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 Lease states that the Homeowner may mortgage the Leased Land only with the*

written consent of MHT. The Lease further provides that MHT 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 MHT. 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 MHT 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.

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 MHT of its intention to do so and MHT shall have the right, but not the obligation, upon notifying the Mortgagee within thirty (30) days of receipt of said notice, to purchase the Mortgagee loan(s) 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 the MHT written notice of such acquisition and the MHT 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 the MHT notifies the Mortgagee in writing of the MHT’s intent to make such purchase within thirty (30) days following the MHT’s receipt of the Mortgagee’s notice of such acquisition of the Home and Homeowner’s interest in the Leased Land; further provided that MHT shall complete such purchase within sixty (60) days of having given written notice of its intent to purchase; and provided that, if the MHT 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 MHT’s interest in the Leased Land, or as assigning any form of liability to the MHT with regard to the Leased Land, the Home, or the Mortgage.

5) Nothing in the Mortgage shall be construed as rendering MHT or any subsequent holder of the MHT’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 MHT or MHT’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. (It is the intention of the

parties hereto that MHT's consent to the Mortgage shall be without any liability on the part of MHT for any deficiency judgment.)

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 MHT to execute an assignment of the Fees or other amounts 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.
- d) Any purchaser of the property hereunder shall sign a new lease with Holder, and until such lease is executed, the purchaser shall be subject to all terms of the existing Lease between Holder and the Offering Party, including without limitation Holder's right of first refusal with respect to any proposed future sale of the property by purchaser.

Other Exhibits to be Attached as Appropriate

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

Exhibit ZONING [*Setting forth applicable zoning restrictions as of the commencement of the Lease*]

Exhibit RESTRICTIONS [*To be attached when necessary to stipulate use restrictions not included under Zoning*]

Exhibit INITIAL APPRAISAL [*To be attached if Lease contains an “appraisal-based” resale formula*]