

Return to:

Sitka Community Land Trust
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**SITKA COMMUNITY LAND TRUST
GROUND LEASE
TABLE OF CONTENTS**

RECITALS

DEFINITIONS

ARTICLE 1: Lessee’s Letter of Agreement and Attorney’s Letter of Acknowledgment are Attached as Exhibits.

ARTICLE 2: Leasing of Rights to the Land

- 2.1 SCLT (“LESSOR”) LEASES THE LAND TO HOMEOWNER (“LESSEE”)
- 2.2 MINERAL RIGHTS NOT LEASED TO LESSEE
- 2.3 LESSEE ACCEPTS THE LAND “AS-IS”

ARTICLE 3: Term of Lease, Change of Landowner

- 3.1 TERM OF LEASE IS 99 YEARS
- 3.2 LESSEE MAY RENEW LEASE FOR ANOTHER 99 YEARS
- 3.3 WHAT HAPPENS IF LESSOR DECIDES TO SELL THE LEASED LAND

ARTICLE 4: Use of Home and Leased Land

- 4.1 RESIDENTIAL AND RELATED PURPOSES
- 4.2 MAINTENANCE OF LAND AND COMPLIANCE WITH LAW
- 4.3 LESSEE IS RESPONSIBLE FOR USE BY OTHERS
- 4.4 MINIMUM OCCUPANCY PERIOD
- 4.5 SUBLEASING PROHIBITED WITHOUT LESSOR’S WRITTEN PERMISSION
- 4.6 LESSOR HAS A RIGHT TO INSPECT THE LEASED LAND AND IMPROVEMENTS
- 4.7 QUIET ENJOYMENT

ARTICLE 5: Fees

- 5.1 AMOUNT OF GROUND LEASE FEE
- 5.2 DUE DATE
- 5.3 HOW THE AMOUNT OF THE GROUND LEASE FEE HAS BEEN DETERMINED
- 5.4 ADJUSTMENT OF GROUND LEASE FEE
- 5.5 GROUND LEASE FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED
- 5.6 LATE FEES AND INTEREST RATES
- 5.7 LESSOR CAN COLLECT UNPAID FEES WHEN HOME IS SOLD

ARTICLE 6: Taxes, Assessments, and Utilities

- 6.1 LESSOR IS RESPONSIBLE FOR PAYING ALL TAXES, FEES, ASSESSMENTS, AND UTILITIES
- 6.2 LESSOR WILL PASS ON ANY TAX BILLS IT RECEIVES TO LESSEE
- 6.3 LESSEE HAS A RIGHT TO CONTEST TAXES
- 6.4 PAYMENT BY LESSOR
- 6.5 LESSEE MUST SHOW PROOF OF TAX PAYMENT.

ARTICLE 7: The Home

- 7.1 LESSEE OWNS THE HOUSE AND ALL OTHER IMPROVEMENTS ON THE LEASED LAND
- 7.2 LESSEE PURCHASES HOME WHEN SIGNING LEASE
- 7.3 CONSTRUCTION AND ALTERATIONS
- 7.4 NO LIENS AGAINST LEASED LAND OR HOME
- 7.5 LESSEE IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS
- 7.6 A HOME REPAIR AND REPLACEMENT RESERVE FUND IS ESTABLISHED TO SUPPORT FUTURE REPAIRS
- 7.7 OWNERSHIP REVERTS TO LESSOR AT END OF TERM

ARTICLE 8: Financing

- 8.1 LESSEE CANNOT MORTGAGE THE HOME WITHOUT LESSOR'S PERMISSION
- 8.2 PERMISSION FOR INITIAL PERMITTED MORTGAGE
- 8.3 SUBSEQUENT MORTGAGES
- 8.4 STANDARD PERMITTED MORTGAGES
- 8.5 OBLIGATIONS OF PERMITTED MORTGAGES
- 8.6 RIGHTS OF PERMITTED MORTGAGES
- 8.7 FORECLOSURE

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

- 9.1 LESSEE ASSUMES ALL LIABILITY
- 9.2 INDEMNITY
- 9.3 LESSEE MUST REIMBURSE LESSOR
- 9.4 INSURANCE
- 9.5 CASUALTY
- 9.6 CONDEMNATION

ARTICLE 10: Transfer of the Home

- 10.1 INTENT OF THIS LEASE IS TO PRESERVE AFFORDABILITY
- 10.2 LESSEE MAY TRANSFER HOME ONLY TO LESSOR OR QUALIFIED PERSONS
- 10.3 THE HOME MAY BE TRANSFERRED TO CERTAIN HEIRS OF LESSEE
- 10.4 DEED IN LIEU OF FORECLOSURE
- 10.5 INTENT TO SELL NOTICE
- 10.6 LESSORS OPTION TO PURCHASE
- 10.7 FAILURE OF THE HOME TO SELL
- 10.8 MAXIMUM RESALE PRICE
- 10.9 PURCHASE OPTION PRICE EQUALS LESSER OF APPRAISED VALUE OR FORMULA PRICE
- 10.10 HOW THE FORMULA PRICE IS CALCULATED
- 10.11 QUALIFIED PURCHASER SHALL RECEIVE NEW LEASE
- 10.12 LEASE TRANSFER FEE
- 10.13 LESSEE REQUIRED TO MAKE NECESSARY REPAIRS AT TRANSFER

ARTICLE 11: Reserved

ARTICLE 12: Default

- 12.1 EVENTS OF MONETARY DEFAULT
- 12.2 REMEDIES FOR DEFAULT

ARTICLE 13: Mediation and Arbitration

- 13.1 MEDIATION AND ARBITRATION ARE PERMITTED

13.2 LESSEE AND LESSOR SHALL SHARE COST OF ANY MEDIATION OR ARBITRATION

ARTICLE 14: General Provisions

- 14.1 NOTICES
- 14.2 NO BROKERAGE
- 14.3 SEVERABILITY AND DURATION OF LEASE
- 14.4 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION
- 14.5 WAIVER
- 14.6 LESSOR'S RIGHT TO PROSECUTE OR DEFEND
- 14.7 CONSTRUCTION
- 14.8 HEADINGS AND TABLE OF CONTENTS
- 14.9 PARTIES BOUND
- 14.10 GOVERNING LAW
- 14.11 RECORDING
- 14.12 COMPUTATION OF TIME

Exhibits That Must Be Attached

- Exhibit A: LETTER OF AGREEMENT
- Exhibit B: LETTER OF ATTORNEYS ACKNOWLEDGEMENT
- Exhibit C: LEGAL DESCRIPTION OF LEASED LAND
- Exhibit D: WARRANTY DEED
- Exhibit E: PERMITTED MORTGAGES
- Exhibit F: FIRST REFUSAL
- Exhibit G: ZONING
- Exhibit H: INITIAL APPRAISAL

Other Exhibits to be Attached, as Appropriate

- Exhibit J: RESTRICTIONS

THIS GROUND LEASE (“this Lease” or “the Lease”) entered into this ___ day of _____, 2021, between Sitka Community Land Trust (hereinafter “LESSOR”) and _____ (“LESSEE”).

RECITALS

- A.** The LESSOR is organized exclusively for charitable purposes, including the purpose of providing homeownership opportunities for low- and moderate-income people in Sitka, Alaska, who would otherwise be unable to afford homeownership.
- B.** A goal of the LESSOR is to preserve affordable homeownership opportunities through the long-term leasing of land to Income-Qualified persons under owner-occupied homes.
- C.** The Leased Land described in this Lease has been acquired and is being leased by the LESSOR in furtherance of this goal.
- D.** The LESSEE shares the purposes of the LESSOR 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 LESSOR.
- E.** LESSEE and LESSOR recognize the special nature of the terms of this Lease, and each of them, with independent and informed advice of legal counsel, accepts these terms, including those terms that affect the marketing and resale price of the property now being purchased by the LESSEE.
- F.** LESSEE and LESSOR agree that the terms of this Lease further their shared goals over an extended period of time and through a succession of owners.
- G.** LESSEE represents and warrants to LESSOR that LESSEE is an Income-Qualified person, and LESSOR has agreed to lease the Land to LESSEE in reliance upon such representation and warranty and all other representations and warranties of LESSEE contained in this Lease.

NOW THEREFORE, LESSEE and LESSOR, in consideration of the foregoing recitals and other good and valuable consideration, agree on all of the terms and conditions of this Lease as set forth below.

DEFINITIONS: LESSEE and LESSOR agree on the following definitions of key terms used in this Lease. Capitalized terms not defined elsewhere in this Lease shall have the meanings given to them below.

Base Price: The gross purchase price paid for the Home by LESSEE as set forth on the Closing Disclosure issued by the title company. (The total price that is paid for the Home by the LESSEE including the amount provided by a first mortgage loan but not including subsidy in the form of deferred loans to the LESSEE).

Covenants: Any declarations of townhome, condominium, or other common-interest community ownership, and any covenants, conditions, restrictions, or easements of record applicable to the Land and/or the Home from time to time during the Term.

Event of Default: In addition to the events of default enumerated in Article 12 and elsewhere in this Lease, any violation of the terms of the Lease which has not been timely corrected (“cured”) by LESSEE or the holder of a Permitted Mortgage in the specified period of time after a written Notice of Default has been given by LESSOR.

Fees: The monthly Ground Lease fee that the LESSEE pays to the LESSOR for the continuing use of the Land, the Transfer Fee, and any additional amounts that the LESSOR charges to the LESSEE for reasons permitted by this Lease, all of which shall be subject to late fees and interest in the same manner as the Ground Lease Fee as described in Section 5.7.

Home: The residential structure and other permanent improvements located on the Leased Land, including both the original Home described in Exhibit D, and including, without limitation, all permanent improvements or fixtures added thereafter by LESSEE at LESSEE'S expense.

Income-Qualified Person: "Income-Qualified Person" shall mean a person or group of persons whose household income does not exceed one hundred twenty percent (120%) 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. Whenever it is necessary to determine whether a person is an Income-Qualified Person, the following documents must be provided to LESSOR:

1. Copies of the last two federal income tax returns filed by the person and the person's spouse, if applicable;
2. Written verification of the person's employment and salary from all of the person's current employers;
3. Copies of the person's paystubs from the last three months immediately preceding the month in which these documents are submitted to LESSOR; and
4. Any other information that LESSOR may reasonably demand, relating to the financial and employment status of the person.

Leased Land: The parcel of land, described in Exhibit C: LEASED LAND, which is leased to the LESSEE.

Maximum Resale Price: The maximum price the LESSEE is allowed to receive for the sale of the Home, as calculated by the LESSOR, per the resale formula in this Lease.

Notice of Ground Lease: A notice of this Lease to be filed by LESSOR in the public records of the county in which the Home and Land are located.

Permitted Mortgage: A mortgage or deed of trust on the Home and the LESSEE'S right to possess, occupy and use the Leased Land granted to a lender by the LESSEE with the LESSOR'S Permission. The LESSEE may not mortgage the LESSOR'S interest in the Leased Land and may not grant any mortgage or deed of trust without LESSOR'S Permission.

Purchase Option Price: The maximum price the LESSEE is allowed to receive from the LESSOR for the exercise of its Option to Purchase for the sale of the Home and the LESSEE'S right to possess, occupy and use the Leased Land, as defined in Article 10 of this Lease.

ARTICLE 1: Lessee's Letter of Agreement and Attorney's Letter of Acknowledgment

Attached as Exhibit A: LESSEE'S LETTER OF AGREEMENT and Exhibit B: ATTORNEY'S LETTER OF ACKNOWLEDGMENT and made part of this Lease by reference are a Letter of Agreement from the Lessee, describing the Lessee'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 Lessee's attorney, describing the attorney's review of the Lease with the Lessee. Lessee will deliver signed copies of such letters to the title agent simultaneously with executing this Lease. Copies of the Letters will be recorded along with the Notice of Ground Lease and the originals will be returned to Lessor after the conclusion of the transaction.

ARTICLE 2: Leasing of Rights to the Land

2.1 LESSOR LEASES THE LAND TO LESSEE Lessor hereby leases to the Lessee, and Lessee hereby accepts, the right to possess, occupy and use the Leased Land (described in the attached Exhibit C: LEASED LAND) in accordance with the terms of this Lease. Lessor has furnished to Lessee a copy of the most current title report, if any, obtained by Lessor for the Leased Land.

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

2.3 LESSEE ACCEPTS THE LAND "AS-IS". Lessee accepts the Leased Land in its condition "as is" as of the signing of this Lease.

ARTICLE 3: Term of Lease, Change of Landowner

3.1 TERM OF LEASE IS 99 YEARS: This Lease shall remain in effect for 99 years, beginning on the day of __, 2021, and ending on the __ day of __, 2120, unless ended sooner or renewed as provided below.

3.2 LESSEE CAN RENEW LEASE FOR ANOTHER 99 YEARS: Homeowner may renew this Lease for one additional period of 99 years, which is less than the maximum term permitted by the Alaska Code and does not violate the common law Rule Against Perpetuities. The Lessor 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 Lessee under the Lease. No more than 365 nor less than 180 days before the last day of the first 99-year period, Lessor shall give Lessee 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 Lessor intends to make in the Lease for the renewal period as permitted above.

The Lessee 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 Lessee shall give Lessor written notice stating the Lessee'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 Lessee shall not be in default under this Lease or under any Permitted Mortgage on the last day of the original 99-year term that is not cured to Lessor's satisfaction, in Lessor's sole discretion, before the last day of the Term.

When Lessee has exercised the option to renew, Lessee and Lessor 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 Lessor shall record this memorandum in accordance with the requirements of law promptly after the beginning of the renewal period.

3.3 TRANSFER OF THE LAND If ownership of the Leased Land is ever transferred by Lessor (whether voluntarily or involuntarily) to any other person or institution, this Lease shall not cease, but shall remain binding on the new landowner, and its successors and assigns, as well as the Lessee. At no time shall the Lessor grant mortgages or indentures on the Land. If Lessor 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 Lessee 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 F: FIRST REFUSAL. Any sale or other transfer contrary to this Section 3.3 shall be null and void.

3.4 IF HOME IS NOT YET CONSTRUCTED. If this Lease is executed before or during the course of initial construction of the Home, then, unless otherwise agreed to by the Parties, this Lease shall not be

deemed effective until construction is substantially complete, the Home is ready for occupancy, and title to the Home has been transferred to Lessee.

ARTICLE 4: Use of Home and Land

4.1 LESSEE MAY USE THE HOME ONLY FOR RESIDENTIAL AND RELATED PURPOSES. Lessee 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 on the Effective Date of the Lease, as indicated in the attached Exhibit G: ZONING. Prior written approval must be obtained from Lessor before conducting business activity inside or from the home and/or before some use or activity that would require a Conditional Use Permit (CUP.)

4.2 LESSEE MUST USE THE HOME AND LAND RESPONSIBLY AND IN COMPLIANCE WITH THE LAW. Lessee shall at all times (a) comply with any and all applicable laws, regulations, codes, and covenants applicable to the Home and Land; (b) not allow the Home or the Land to waste; (c) keep the exterior of the Home and Land in an orderly and sightly condition and free of the accumulation of salvage, refuse, and other unsightly personal property; (d) maintain landscaping on the Land in good condition and reasonably free of noxious weeds; (e) not allow any criminal activity in the Home or on the Premises; (f) use, keep, and maintain the Home and the Premises in a manner that will not cause harm or nuisance to others; (g) keep the Premises in sanitary condition and not allow the disposal or dumping of regulated or hazardous materials on the Premises; (h) maintain and pay the cost of adequate utility, garbage removal, landscaping, and other services as are reasonable and necessary to maintain the Home and the Premises as required herein, and (i) maintain the Home and the Premises as required to maintain proper insurance coverage as required by this Lease.

4.3 LESSEE IS RESPONSIBLE FOR USE BY OTHERS. Lessee 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 Lessee's permission and shall make all such people aware of the restrictions on use set forth in this Lease.

4.4 LESSEE MUST OCCUPY THE HOME AS PRIMARY RESIDENCE. Lessee shall occupy the Home in compliance with the annual presence/absence requirements of the Permanent Fund Dividend program (no more than 90 days consecutive or 180 days total absence), unless otherwise agreed by Lessor. Occupancy by Lessee's child, spouse, domestic partner or other persons approved by Lessor shall be considered occupancy by Lessee. Neither compliance with the occupancy requirement nor Lessor'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. In the event that the Lessee does not apply for a PFD the Lessee will prove residency using PFD criteria for residency, including a signed statement with two witnesses verifying the required residency.

4.5 LAND MAY NOT BE SUBLEASED WITHOUT LESSOR'S PERMISSION. Except as otherwise provided in [Article 8](#) and [Article 10](#), Lessee shall not sublease, transfer or otherwise convey any of Lessee's rights under this Lease, in whole or in part, for any period of time, without the written permission of Lessor. Lessee agrees that Lessor 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 and sub-lessees 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 Lessee by the Lessor, plus an amount approved by Lessor to cover

Lessee's costs in owning the Home, including but not limited to the cost of taxes, insurance and mortgage interest.

- c) The sub-lessee must be approved by Lessor as an Income-Qualified Person; and
- d) Lessee shall remain responsible for the Home and Land and the acts and omissions of its sub-lessees.

4.6 LESSOR HAS A RIGHT TO INSPECT THE LAND AND IMPROVEMENTS. The LESSOR may inspect any part of the Leased Land including the interiors of fully enclosed buildings, at any reasonable time and at reasonable intervals, after notifying the Lessee at least twenty-four (24) 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, Lessor may inspect any part of the Land after making reasonable efforts to inform Lessee before the inspection if such prior notice is practical under the circumstances. Lessor will not inspect the interior of the Home unless, acting in good faith, Lessor believes there is a violation of this Lease, and an inspection of the Home is necessary to confirm and/or remedy such violation. Lessor may also inspect the interior of the Home if Lessor has received an Intent-to-Sell Notice as described in Section 10.5, after notifying Lessee at least twenty-four (24) hours before the planned inspection.

4.7 QUIET ENJOYMENT. Lessee has the right to quiet enjoyment of the Leased Land. The Lessor has no desire or intention to interfere with the personal lives, associations, expressions, or actions of the Lessee in any way not permitted by this Lease.

ARTICLE 5: Fees

5.1 GROUND LEASE FEE. The Lessee shall pay a monthly Land Use Fee (a) in the amount of fifty dollars (\$50.00) to be paid in return for the continuing right to possess, occupy and use the Leased Land, and (b) a Home Repair and Replacement Reserve Fee of twenty-five dollars (\$25.00) to be held by the Lessor and used for the purpose of preserving the physical quality of the Home for the long term in accordance with Section 7.6 below. These two fees shall constitute the Ground Lease Fee.

5.2 DUE DATE The Ground Lease Fee shall be payable to Lessor 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 directed by that Mortgagee.

5.3 HOW THE AMOUNT OF THE LEASE FEE HAS BEEN DETERMINED. The amount of the Land Use Fee stated in Section 5.1 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 Home Repair and Replacement Reserve Fee, for the Lessee has been analyzed and, if necessary, the Land Use has been reduced to an amount considered to be affordable for Lessee.

5.4 FEES MAY BE INCREASED FROM TIME TO TIME. The Lessor may increase the amount of the Land Use Fee and/or the Repair Reserve Fee from time to time, in even years, in order to keep the Fees reasonably current with inflation. The Lessor will provide 6 months' notice before increasing the fee. Each time such amounts are increased, the total percentage of increase shall be *the lesser of the two options*: 6% of the existing lease fee, OR the percentage of increase, over the same period of time, in the Consumer Price Index for wage earners in Sitka, or, if none, for urban areas the size of Sitka.

5.5 GROUND 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 Land Use Fee shall be increased to an amount calculated by Lessor to equal the fair rental value of the Leased Land for use not restricted by the suspended provisions. Such increase shall become effective upon Lessor's written notice to Lessee. Lessor shall give Lessee notice of the amount of such increased Ground Lease Fee as soon as practical under the circumstances. Such increase shall be effective retroactively upon the date such provisions are violated, removed or invalidated. Thereafter, Lessor may from time to time (but no more often than annually), upon notice to Lessee, further increase the Ground Lease Fee to reflect fair market rent.

5.6 LATE FEES AND INTEREST RATES If the Lessor has not received any monthly installment of the Lease Fee on or before the date on which such installment first becomes payable under this Lease (the "Due Date"), the Lessor may require Lessee to pay a \$25 late fee monthly on the unpaid balance. Such fee shall be deemed additional to the Lease Fee and shall be paid by Lessee to Lessor upon demand; provided, however, that Lessor shall waive any such fee that would otherwise be payable to Lessor if such payment of the Lease Fee is received by Lessor on or before the thirtieth (30th) day after the Due Date.

5.7 LESSOR 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 late fee as provided above, shall be paid to Lessor out of any proceeds from the sale that would otherwise be due to Lessee. The Lessor shall have, and the Lessee 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 Article 8 below; and (c) liens for real property taxes and other governmental assessments or charges against the Home.

ARTICLE 6: Taxes, Fees, Assessments, and Utilities

6.1 LESSEE IS RESPONSIBLE FOR PAYING ALL TAXES, FEES, ASSESSMENTS, AND UTILITIES. Lessee shall pay directly, when due, all taxes, fees, governmental assessments, and utilities that relate to the Home and the Leased Land (including any taxes relating to the Lessor's interest in the Leased Land).

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

6.3 LESSEE HAS A RIGHT TO CONTEST TAXES. Lessee 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 Lessee for assistance in this matter, Lessor shall join in contesting such taxes. Lessee shall pay all costs of such proceedings.

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

6.5 LESSEE MUST SHOW PROOF OF TAX PAYMENT. When either Lessee pays taxes relating to the Home or Leased Land, that party shall furnish satisfactory evidence of the payment to the Lessor. A photocopy of a receipt shall be the usual method of furnishing such evidence.

ARTICLE 7: The Home

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

7.2 LESSEE PURCHASES HOME WHEN SIGNING LEASE: Upon the signing of this Lease, Lessee 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 D: DEED.

7.3 CONSTRUCTION AND ALTERATIONS: Any construction in connection with the Home requiring issuance of a building permit is permitted only if the following requirements are met: (a) all costs shall be paid for by the Lessee; (b) all construction shall be performed in a professional manner and shall comply with all applicable laws, codes, regulations, and Covenants; (c) all changes in the Home shall be consistent with the permitted uses described in Article 4; (d) any construction shall not be built or installed on the Leased Land without the prior written consent of Lessor in its sole discretion.

Lessee shall submit a written request to the Lessor. 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; and
- d) a statement of who will do the work.

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

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

7.5 LESSEE IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS. Lessee hereby assumes responsibility for furnishing all services, utilities, maintenance, and capital repairs to the Home and Land, including but not limited to heat, electricity, sewer, gas, air conditioning and water. Lessor shall

not be required to furnish any services or facilities or to make any repairs to the Home. Lessee 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 A HOME REPAIR AND REPLACEMENT RESERVE FUND IS ESTABLISHED TO SUPPORT FUTURE REPAIRS: A Monthly Home Repair and Replacement Reserve Fund is established at the commencement of this Lease and will be funded by the monthly Home Repair and Replacement Reserve Fee stipulated in Section 5.1 and collected by Lessor. At its discretion, Lessor may, from time to time, add funds to this Home Repair and Replacement Reserve Fund.

The Lessee and Lessor acknowledge that the Lessee is responsible for all maintenance and repair of the Home, as set forth in this Lease. As an additional assurance that all Lessees are able to comply with their maintenance and repair obligations, the Lessor and the Lessee agree that a Home Repair and Replacement Reserve Fee will be collected from the Lessee as part of the Monthly Fee and held as a reserve by the Lessor for the capital maintenance of specific portions of the Home.

- a. **Release of Funds:** Policies and procedures for the use of Home Repair and Replacement Reserves are specified in the Stewardship Policies and Procedures as found on the SCLT website. The Lessor may reasonably withhold Home Repair and Replacement Reserve 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.
- b. **Reserve Funds are Nonrefundable:** The Home Repair and Replacement Reserves are explicitly the property of the Lessor but may only be used for the capital maintenance of the Property. The Lessee acknowledges that the Home Repair and Replacement Reserves are intended for and shall remain with the Home and not the Lessee. In the event that the Home is sold or transferred by the Lessee, the unused Home Repair and Replacement Reserves will be retained by the Lessor for the future capital repairs or replacements of the Home.
- c. **Costs in Excess of Reserves:** Any capital costs that exceed the amount of available Home Repair and Replacement Reserves will be borne by the Lessee.
- d. **Yearly Report upon Request:** No later than September 30th of each year, the Lessor will make available, upon the Lessee's request, a detailed report of Home Repair and Replacement Reserve transactions for the prior fiscal year.

7.7 OWNERSHIP REVERTS TO LESSOR AT END OF TERM Upon the expiration or termination of this Lease, except in the case of a Transfer of the Home to a new Income-Qualified Person approved by Lessor, ownership of the Home shall revert to Lessor. Upon thus assuming title to the Home, Lessor shall promptly pay Lessee and Permitted Mortgagee(s), as follows:

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

SECOND, Lessor shall pay the Lessee 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 Lessor under the terms of this Lease. The Lessee shall be responsible for any costs necessary to clear any additional liens or other charges related to the Home that may be assessed against the Home. If the Lessee fails to clear such liens or

charges, the balance due the Lessee shall also be reduced by the amount necessary to release such liens or charges, including reasonable attorney's fees incurred by the Lessor.

In order to facilitate reversion of title to Lessor upon expiration or termination of this Lease, Lessee shall execute such deeds, assignments, releases, and other instruments as are necessary or customary to cause the Home to revert to Lessor free and clear of all liens and encumbrances other than general real estate taxes, matters affecting title prior to Lessee's ownership of the Home, and matters arising by or through Lessor.

ARTICLE 8: Financing

8.1 LESSEE CANNOT MORTGAGE THE HOME WITHOUT LESSOR'S PERMISSION. The Lessee may mortgage the Home only with the written permission of Lessor. Any mortgage or deed of trust permitted in writing by the Lessor is defined as a Permitted Mortgage, and the holder of such a mortgage or deed of trust is defined as a Permitted Mortgagee. In no event shall the Land constitute security for any loan to Lessee.

8.2 PERMISSION FOR INITIAL PERMITTED MORTGAGE. Lessor hereby gives written permission for any mortgage or deed of trust signed by the Lessee effective on the day this Lease is signed for the purpose of financing Lessee's purchase of the Home.

8.3 SUBSEQUENT MORTGAGES. If, at any time subsequent to the purchase of the Home and signing of the Lease, the Lessee 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), Lessee must inform Lessor, in writing, of the proposed terms and conditions of such mortgage loan at least 30 days prior to the expected closing of the loan. The information to be provided to Lessor must include:

- a) the name of the proposed lender;
- b) Lessee'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.

Lessor may also require Lessee to submit additional information. Lessee hereby authorizes Lessor to contact the proposed lender directly to discuss the proposed loan in the terms and restrictions in this Lease. Lessee will not permit such a mortgage loan if the loan increases Lessee'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 Lessee or the Lessor.

8.4 STANDARD PERMITTED MORTGAGE. The Lessor shall be required to permit any mortgage for which the mortgagee has signed a "Standard Permitted Mortgage Agreement" as set forth in "Exhibit E: Permitted Mortgages, Part C," and for which the loan secured thereby does not increase Lessee's total mortgage debt to an amount greater than 100 % of the then current Purchase Option Price, calculated in accordance with Article 10 below.

8.5 OBLIGATIONS OF PERMITTED MORTGAGES. Any Permitted Mortgagee shall be bound by each of the requirements stated in Exhibit E 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 Lessee and the Lessor to modify the terms of the Lease during the term of the Permitted Mortgage.

8.6 RIGHTS OF PERMITTED MORTGAGEES. Any Permitted Mortgagee shall have all of the rights and protections stated in Exhibit E which is made a part of this Lease by reference.

8.7 FORECLOSURE. Lessee and Lessor recognize that it would be contrary to the purposes of this agreement if Lessee could receive more than the Purchase Option Price as the result of the foreclosure of a mortgage. Therefore, Lessee hereby irrevocably assigns to Lessor all net proceeds of sale of the Home that would otherwise have been payable to Lessee and that exceed the amount of net proceeds that Lessee would have received if the property had been sold for the Purchase Option Price, calculated as described in Section 10.10 below. Lessee authorizes and instructs the Permitted Mortgagee, or any party conducting any sale, to pay such excess amount directly to Lessor. If, for any reason, such excess amount is paid to Lessee, Lessee hereby agrees to promptly pay such amount to Lessor.

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

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

9.2 INDEMNITY. Lessee shall defend, indemnify and hold Lessor harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Land. Lessee waives all claims against Lessor for injury or damage on or about the Leased Land. However, Lessor shall remain liable for injury or damage due to the grossly negligent or intentional acts or omissions of Lessor or Lessor's agents or employees.

9.3 LESSEE MUST REIMBURSE LESSOR. In the event Lessor shall be required to pay any sum that is Lessee's responsibility or liability, Lessee shall reimburse Lessor for such payment and for reasonable expenses caused thereby. Such amounts shall constitute Fees under this Lease, payable within ten (10) days following Lessor's written demand. However, Lessor shall remain liable for injury or damage due to the grossly negligent or intentional acts or omissions of the Lessor or Lessor's agents or employees.

9.4 INSURANCE. Lessee shall, at Lessee's expense, keep the Home continuously insured against all risks of physical loss on a "special form" 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 Lessor prior to the commencement of the Lease. Thereafter, if the Lessor determines that the replacement value to be insured should be increased, the Lessor shall inform the Lessee of such required increase at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Lessee shall assure that the renewal includes such change. If Lessee wishes to decrease the amount of replacement value to be insured, Lessee shall inform the SCLT of the proposed change at least thirty (30) days prior to the time such change would take effect. The change shall not take effect without Lessor's approval.

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

The Lessee shall also, at its sole expense, maintain in full force and effect personal liability insurance covering the Home and the Leased Land using ISO Form HO 00 03 or its equivalent in the amount of five hundred thousand dollars (\$500,000) per occurrence and in the aggregate. The Lessor 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 Lessor prior to the commencement of the Lease and at each anniversary date thereof.

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

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

9.5 CASUALTY. Except as provided below, in the event of fire or other damage to the Home, Lessee 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. Lessee 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 Lessee, 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 Lessee cannot otherwise afford to cover the balance of the cost of repairs, then Lessee shall notify Lessor of this problem, and Lessor 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 Lessee and Lessor.

If Lessee and Lessor cannot agree on a way of restoring the Home in the absence of adequate insurance proceeds, then Lessee may give Lessor written notice of intent to terminate the Lease. The date of actual termination shall be no less than sixty (60) days after the date of Lessee's notice of intent to terminate. Upon termination, any insurance proceeds payable to Lessee 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 Lessor for any amounts owed under this Lease;
FIFTH, to the Lessee, 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 Lessor.

9.6 CONDEMNATION. 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 Lessee 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 Lessor.

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, Lessor 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, LESSOR WILL TRY TO HELP LESSEE BUY ANOTHER COMMUNITY LAND TRUST HOME. If this Lease is terminated as a result of damage, destruction or taking, Lessor shall take reasonable steps to allow Lessee to purchase another home on another parcel of leased land owned by Lessor if such home can reasonably be made available. If Lessee purchases such a home, Lessee agrees to apply any proceeds or award received by Lessee to the purchase of the home. Lessee understands that there are numerous reasons why it may not be possible to make such a home available, and shall have no claim against Lessor if such a home is not made available.

ARTICLE 10: Transfer of the Home

10.1 INTENT OF THIS LEASE IS TO PRESERVE AFFORDABILITY: Lessee and Lessor 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 home ownership opportunities for such households.

10.2 LESSEE MAY TRANSFER HOME ONLY TO LESSOR OR INCOME-QUALIFIED PERSONS: Lessee may transfer the Home only to (1) the Lessor (2) an Income-Qualified Person as defined below, (3) as a testamentary gift to a spouse or child, 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. Any and all such transfers shall be subject to Lessor's prior written approval. Any purported transfer that does not comply with the provisions of this Lease shall be null and void and an Event of Default under this Lease.

10.3 THE HOME MAY BE TRANSFERRED TO CERTAIN HEIRS OF LESSEE: If Lessee dies (or if the last surviving co-owner of the Home dies), the executor or personal representative of Lessee's estate shall notify Lessor within ninety (90) days of the date of the death. Upon receiving such notice Lessor shall consent to a transfer of the Home and Lessee's rights to the Leased Land to one or more of the

possible heirs of Lessee listed below as "a," "b," or "c," provided that a Lessee's Letter of Agreement and Attorney's Letter of Acknowledgement (as described in Article 1 above) are submitted to Lessor to be attached to the Lease when it is transferred to the heirs.

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

Any other legatees or devisees of Lessee, in addition to submitting Letters of Agreement and Acknowledgment as provided above, must demonstrate to Lessor'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. Heirs do not need to be Income-Qualified Persons to be entitled to live in the home. However, heirs must abide by all other ground lease restrictions.

Upon inheritance of the Home, any heirs, legatees, or devisees of the Lessee shall occupy the Home in accordance with Article 4. If residency requirements cannot be met, any heirs, legatees, or devisees shall not be entitled to retain possession of the Home and must transfer the Home in accordance with Article 10.

10.4 DEED IN LIEU OF FORECLOSURE. Notwithstanding any provision of this Lease to the contrary, Lessee may Transfer the Home to a Permitted Mortgagee in lieu of foreclosure, subject to Lessor's Purchase Option.

10.5 NOTICE OF INTENT TO SELL. In the event that Lessee wishes to sell Lessee's Property, Lessee shall notify Lessor in writing of such wish (the Intent-to-Sell Notice) not less than sixty (60) days prior to such transfer. The Intent-to-Sell Notice shall include a statement as to whether Lessee wishes to recommend an Income-Qualified Person as a prospective buyer.

10.6 APPRAISAL. No later than ten (10) days after Lessor's receipt of Lessee's Intent-to-Sell Notice, Lessor shall commission a market valuation of the Leased Land and the Home (The Appraisal) to be performed by a duly licensed appraiser who is acceptable to Lessor and Lessee. Lessor shall pay the cost of such Appraisal. The Appraisal shall be conducted by analysis and comparison of comparable properties as though title to Leased 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 Lessor and Lessee.

10.7 LESSOR'S OPTION TO PURCHASE. If Lessor (a) receives an Intent-to-Sell Notice from Lessee, (b) Lessee dies and the Home is not devised to a permitted heir specified in Section 10.3 who accepts this Lease and delivers executed Acknowledgment Letters all in a manner approved by Lessor; or (c) there is an Event of Default by Lessee, then Lessor 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 Lessee.

If Lessor elects to purchase the Home, Lessor shall exercise the Purchase Option by notifying Lessee And Permitted Mortgagee, in writing, of such election (the Notice of Exercise of Option) within forty-five (45) days of (a) the receipt of the Intent-to-Sell Notice, (b) following the date the Lessor receives notice from Lessee's executor that Lessee is deceased, , or (c) in the Event of Default, at any time for

so long as the default continues. Lessor's purchase of the Home pursuant to the Option shall expire. Having given such notice, Lessor may either proceed to purchase the Home directly or may assign the Purchase Option to an Income-Qualified Person.

The purchase (by Lessor or Lessor's assignee) must be completed within sixty (60) days of Lessor's Notice of Exercise of Option, or Lessee may sell the Home and Lessee'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 Lessor and Lessee. In no event shall Lessor's failure to exercise Lessor's Purchase Option be construed as a waiver of any provision of or Event of Default under this Lease.

10.8 IF PURCHASE OPTION EXPIRES, LESSEE MAY SELL ON CERTAIN TERMS: If the Purchase Option has expired or if Lessor has failed to complete the purchase within the sixty (60) day period allowed by Section 10.6 above, Lessee may sell the Home to any Income-Qualified Person for not more than the then applicable Purchase Option Price.

10.9 FAILURE OF THE HOME TO SELL. If Lessee 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, Lessee 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, provided (a) the Transferee shall accept and assume all of Lessee's obligations under this Lease and deliver signed Acknowledgment Letter and (b) the consideration paid in connection with the Transfer shall not exceed the Purchase Option Price.

10.10 AFTER ONE YEAR SCLT SHALL HAVE POWER OF ATTORNEY TO CONDUCT SALE: If Lessor does not exercise its option and complete the purchase of Lessee's Property as described above, and if Lessee (a) is not then residing in the Home and (b) continues to hold Lessee'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, Lessee does hereby appoint SCLT 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 Lessee the proceeds of sale, minus Lessor's costs of sale and any other sums owed Lessor by Lessee.

10.11 PURCHASE OPTION PRICE EQUALS LESSER OF APPRAISED VALUE 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 value of the combined value of the Leased Land and the Home, as determined by the Appraisal commissioned and conducted as provided in Section 10.5 above or (b) the price calculated in accordance with the formula described below (the Formula Price).

10.12 HOW THE FORMULA PRICE IS CALCULATED: The Formula Price shall be equal to Lessee's Base Price, as stated below, plus 25% of the increase in market value of the Home, if any, calculated in the way described below.

Lessee's Base Price: The parties agree that the Lessee's Base Price for Lessee's Property as of the signing of this Lease is \$ 226,906 .

Initial Appraised Value: The parties agree that the appraised value of the Home at the time of Lessee's purchase (the Initial Appraised Value) is \$ 259,000, as documented by the appraiser's report attached to this Lease as Exhibit H.

Increase in Market Value: The increase in market value of the Home equals the appraised value of the Home at time of sale, calculated according to Section 10.5 above, minus the Initial Appraised Value.

Lessee’s share of Increase in Market Value: Lessee’s share of the increase in the market value of the Home equals twenty-five percent (25%) of the increase in market value as calculated above.

Summary of Formula Price: The Formula Price equals Lessee’s Base Price plus Lessee’s Share of Increase in Market Value.

The following chart illustrates how this calculation is to be completed:

Initial Purchase	
Lessee’s Base Price – at time of purchase	\$ 226,906
Initial appraised value of home	\$ 259,000

Increase in Market Value of Home	
Appraised value of home at time of resale	\$ 342,067
Minus initial appraised value of home	-\$ 259,000
Equals increase in market value of home	= \$ 83,067

Lessee’s Share of Increase in Market Value	
Increase in market value of home	\$ 83,067
Times Lessee’s share	x 25%
Equals Lessee’s share of increase in market value of home	= \$ 20,766.75

Formula Price	
Lessee’s Base Price	\$ 226,906
Plus Lessee’s share of increase in market value of home	+ \$ 20,766.75
Formula Price	= \$ 247,672.75

10.13 QUALIFIED PURCHASER SHALL RECEIVE NEW LEASE: The Lessor 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 Lessor.

10.14 LEASE TRANSFER FEE. In the event that Lessee sells the home to a party other than the Lessor (whether directly to such party or as a result of Lessor’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 Lessor, a transfer fee to compensate the Lessor for carrying out its responsibilities with regard to the transaction. The amount of the transfer fee shall be the lesser of two percent (2%) of the Purchase Option Price or three thousand dollars (\$3,000.00).

10.15 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION. If for any reason Lessor's Purchase Option is unenforceable, then in addition to all other rights and remedies available to Lessor, Lessor shall have a right of first refusal to purchase the Home at the highest documented bona fide purchase price offer made to Lessee.

10.16 LESSEE REQUIRED TO MAKE NECESSARY REPAIRS AT TRANSFER: The Lessee 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 home inspector with a current Home Inspector license to assess the condition of the Home and prepare a written report of the condition ("Inspection Report"). The Lessee shall cooperate fully with the inspection.
- b) The Buyer shall provide a copy of the Inspection Report to Buyer's lender (if any), the Lessee, and the Lessor within 10 days after receiving the Inspection Report.
- c) Lessee 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) Lessee shall bear the full cost of the necessary repairs and replacements. However, upon Lessee's written request, the Lessor may allow the Lessee to pay all or a portion of the repair costs after transfer, from Lessee's proceeds of sale, if Lessee 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 Lessee's proceeds of sale in a Lessor-approved escrow account. Lessee shall allow Lessor, 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.
- e) Upon sale or other transfer, Lessee 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 EVENTS OF DEFAULT

A. LESSEE'S FAILURE TO PAY FEES It shall be an event of default if Lessee fails to pay the Lease Fee or other charges required by the terms of this Lease and such failure is not cured by Lessee or a Permitted Mortgagee within thirty (30) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee. However, if Lessee makes a good faith partial payment of at least two-thirds (2/3) of the amount owed during the thirty (30) day cure period, then the cure period shall be extended by an additional thirty (30) days.

B. LESSEE'S VIOLATION OF NONMONETARY TERMS. It shall be an event of default if Lessee fails to abide by any other requirement or restriction stated in this Lease, and such failure is not cured by Lessee or a Permitted Mortgagee within sixty (60) days after notice of such failure is given by Lessor to Lessee and Permitted Mortgagee. However, if Lessee 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.

C. DEFAULT 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 Lessee is judicially declared bankrupt or insolvent according to law, or if any assignment is made of the property of Lessee for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of the Home or Lessee's interest in the Leased Land by a court of competent jurisdiction, or if a petition is filed for the reorganization of Lessee under any provisions of the Bankruptcy Act now or hereafter enacted, or if Lessee files a petition for such reorganization, or for arrangements under any provision of the Bankruptcy Act now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for payment of debts.

D. LESSOR DEFAULT. It shall be an Event of Default if Lessor fails to abide by any requirement, obligation or restriction of Lessor in this Lease, and such failure is not cured by Lessor within sixty (60) days after notice of such failure is given by Lessee to Lessor. However, if Lessor has made a good faith effort 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 cure.

12.2 REMEDIES FOR DEFAULT

- a. TERMINATION OF LEASE. In the case of any of the events of default described above, Lessor may terminate this lease and initiate summary proceedings under applicable law against Lessee, and Lessor 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 Lessee and those claiming rights through Lessee. In addition, Lessor shall have such additional rights and remedies to recover from Lessee arrears of rent and damages from any preceding breach of any covenant of this Lease. If this Lease is terminated by Lessor pursuant to an Event of Default, then, as provided in Section 7.7 above, upon thus assuming title to the Home, Lessor shall pay to Lessee 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 Lessor under the terms of this Lease and all reasonable costs (including reasonable attorneys' fees) incurred by Lessor in pursuit of its remedies under this Lease.
- b. If Lessor elects to terminate the Lease, then the Permitted Mortgagee shall have the right (subject to Article 8 above and the attached Exhibit E to postpone and extend the specified date for the termination of the Lease for a period sufficient to enable the Permitted Mortgagee or its designee to acquire Lessee's interest in the Home and the Leased Land by foreclosure of its mortgage or otherwise.
- c. EXERCISE OF LESSOR'S PURCHASE OPTION. In the case of any of the events of default described above, Lessee hereby grants to the Lessor (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 above or within thirty (30) days after any of the events constituting an Event of Default under Section 12.1 above, SCLT shall notify the Lessee and the Permitted Mortgagee(s) of its decision to exercise its option to purchase under this Section). Not later than ninety (90) days after the Lessor gives notice to the Lessee of the Lessor's intent to exercise its option under

this Section, the Lessor or its assignee shall purchase the Home for the Purchase Option Price.

- d. WHAT HAPPENS IF LESSOR DEFAULTS. Lessor shall in no event be in default in the performance of any of its obligations under the Lease unless and until Lessor has failed to perform such obligations within sixty (60) days, or such additional time as is reasonably required to correct any default, after notice by Lessee to Lessor properly specifying Lessor's failure to perform any such obligation.
- e. ATTORNEYS FEES. Lessor shall be entitled to recover reasonable attorney fees from Lessee if Lessor prevails in any action against Lessee to enforce the provisions of this Lease.

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 LESSEE AND LESSOR SHALL SHARE COST OF ANY MEDIATION OR ARBITRATION: Lessee and Lessor 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 NOTICES. Whenever this Lease requires either party to give notice to the other, the notice shall be given in writing and delivered in person or mailed, by certified or registered mail, return receipt requested, to the party at the address set forth below, or such other address designated by like written notice:

If to LESSOR: Sitka Community Land Trust, P.O. Box 6461, Sitka Alaska 99835

If to Lessee:

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

14.2 NO BROKERAGE. Lessee warrants that it has not dealt with any real estate broker other than Baranof Realty in connection with the purchase of the Home. If any claim is made against Lessor regarding dealings with brokers other than Baranof Realty, Lessee shall defend Lessor against such claim with counsel of Lessor's selection and shall reimburse Lessor for any loss, cost or damage which may result from such claim.

14.3 SEVERABILITY AND DURATION OF LEASE. If any part of this Lease is unenforceable or invalid, such material shall be read out of this Lease and shall not affect the validity of any other part of this Lease or give rise to any cause of action of Lessee or Lessor against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law. It is the intention of the parties that Lessor'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: the children of any employee of the City and Borough of Sitka living as of the date of this Lease.

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

14.5 WAIVER. The waiver by Lessor at any time of any requirement or restriction in this Lease, or the failure of Lessor 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. Lessor may grant waivers in the terms of this Lease, but such waivers must be in writing and signed by Lessor before being effective.

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

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

14.7 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.

14.8 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.

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

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

14.11 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 Lessor's attorneys. In no event shall such document state the rent or other charges payable by Lessee under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease and is not intended to vary the terms and conditions of this Lease. Additionally, the Parties agree that in the event of filing a Notice of Lease or Short Form Lease, Parties shall also include the Permitted Mortgage Agreement and any Rider. The Mortgagee must provide buyers an accurate estimate of closing costs no later than three (3) days prior to closing.

14.12 COMPUTATION OF TIME. Whenever the last day for the exercise of any privilege or the discharge of any duty under this Lease shall fall upon a Saturday, a Sunday, or any public or legal holiday, whether state or federal, the Party having the privilege or duty shall have until 5:00 PM Alaska Standard Time on the next regular business day to exercise the privilege or discharge the duty.

The remainder of this page is intentionally left blank.

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

Lessor:

SITKA COMMUNITY LAND TRUST

Witnessed by its duly authorized agent, Willoughby Peterson, SCLT Board President

Lessee:

Witnessed by _____, Lessee

STATE OF ALASKA)
)ss
FIRST JUDICIAL DISTRICT)

Before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, this day personally appeared _____ known to be the person(s) described in and who executed the above instrument and they acknowledged to me that they signed the above instrument and they acknowledged to me that they signed the same freely and voluntarily for the means and purposes mentioned.

WITNESS my hand and notarial seal
this _____ day of
_____, 20____
Notary Public in and for Alaska
My Commission Expires:

STATE OF ALASKA)
)ss
FIRST JUDICIAL DISTRICT)

Before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, this day personally appeared _____ known to be the person(s) described in and who executed the above instrument and they acknowledged to me that they signed the above instrument and they acknowledged to me that they signed the same freely and voluntarily for the means and purposes mentioned.

WITNESS my hand and notarial seal
this _____ day of

_____, 20____

Notary Public in and for Alaska

My Commission Expires:

Exhibit A: LETTER OF AGREEMENT

To: Sitka Community Land Trust (“the LESSOR”)

Date: _____

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

I have reviewed the terms and conditions of the Lease and other legal documents that are part of this transaction and have had the opportunity to have my legal counsel, if any, review the same.

I understand the way these terms and conditions will affect my rights as a Lessee homeowner, now and in the future. In particular I understand and agree with the following points.

- One of the goals of the Lessor is to keep Lessor homes affordable for lower income households from one Lessee to the next. I support this goal as a Lessee and as a member of the Lessor.
- 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 Lessor 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 Lessor to promote resident ownership of SCLT homes. For this reason, my Lease requires that, if my family and I move out of our home permanently, we must sell it. We cannot continue to own it as absentee owners.
- I understand that I am accepting the Home and the Premises “as-is” and that I am solely responsible for maintaining the Home and the Premises and paying for all maintenance, repairs, taxes, services, and utilities. Further, I am agreeing to release the Lessor for any liability related to the condition of the Home or the Premises and to indemnify and defend them for damages resulting from my ownership and use of the Home and use of the Premises.
- 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.
- I further understand and agree that this letter contains only a brief summary of some of the key terms of the Lease, and that my rights and obligations as between me and the Lessor are governed by the Lease. As a Lessor Lessee and a member of the Lessor, it is my desire to see the terms of the Lease and related documents honored. I consider these terms fair to others and me.

Sincerely

Exhibit B: LETTER OF ATTORNEY'S ACKNOWLEDGMENT

I, _____, have been independently employed by _____ (hereinafter "the Client") who intends to purchase a house and other Home (the "Home") on land to be leased from Sitka Community Land Trust. The house and land are located at Halibut Point Rd, Sitka, AK 99835.

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; and
- b) a proposed Ground Lease conveying the "Leased Land" to the Client.

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 C: LEASED LAND

Correct legal description of area of Leased Land and appurtenant title rights and obligations

Lot _____, SCLT Subdivision (use individual plat for this lot)

Exhibit D: WARRANTY DEED

Use actual deed

Exhibit E: PERMITTED MORTGAGES

The rights and provisions set forth in this Exhibit shall be understood to be provisions of Article 8 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 Lessee and the SCLT 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 Lessee because the Lessee 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 SCLT. Upon receiving a copy of the notice of default and within that period of time in which the Lessee has a right to cure such default (the "cure period"), the SCLT shall have the right to cure the default on the Lessee'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 SCLT of its intention to do so, and SCLT 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 SCLT written notice of such acquisition and SCLT 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, SCLT must give written notice to the Permitted Mortgagee of SCLT's intent to purchase the Home within thirty (30) days following SCLT's receipt of the Permitted Mortgagee's notice. SCLT must then complete the purchase of the Home within sixty (60) days of having given written notice of its intent to purchase. If SCLT 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 SCLT's interest in the Leased Land, or as assigning any form of liability to the SCLT 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 SCLT or any subsequent Mortgagee of SCLT'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 SCLT or SCLT's interest in the Leased Land, but will look solely to Lessee, Lessee'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 SCLT's consent to such the Permitted Mortgage shall be without any liability on the part of SCLT 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. SCLT shall not be obligated to execute an assignment of the Lease Fee or other rent payable by Lessee under the terms of this Lease.

B. RIGHTS OF PERMITTED MORTGAGEE. The rights of a Permitted Mortgagee as referenced under Article 8 of the Lease to which this Exhibit is attached shall be as set forth below.

1. Any Permitted Mortgagee shall, without further consent by SCLT, 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 Lessee; (b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Lessee by this Lease or otherwise by law, subject to the provisions, if any, in 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 Lessee under the Lease. Any such payment or performance or other act by Permitted Mortgagee under the Lease shall not be construed as an agreement by Permitted Mortgagee to assume such personal liability except to the extent Permitted Mortgagee actually takes possession of the 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 SCLT and Lessee 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, SCLT 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 SCLT'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 SCLT for such new lease within sixty (60) days after the effective date of such termination, rejection or disaffirmance, as the case may be. Such written request shall be accompanied by a copy of such new lease, duly executed and acknowledged by the Permitted Mortgagee or the party designated by the Permitted Mortgagee to be the Lessee thereunder. 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 SCLT, Lessee and the Permitted Mortgagee.

5. The SCLT 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 SCLT sends a notice of default under the Lease to Lessee, SCLT shall also send a notice of Lessee's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Section 14.2 of the Lease to the Permitted Mortgagee at the address which has been given by the Permitted Mortgagee to SCLT by a written notice to SCLT 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 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 Article 8 of this Lease, shall be written as follows, and shall be signed by Mortgagee and Lessee.

This Agreement is made by and among:

First Bank (Mortgagee) and

_____ (*"Lessee"*),

Whereas:

- a) *SCLT (the "SCLT") and Lessee have entered, or are entering, into a ground lease ("the Lease"), conveying to Lessee a leasehold interest in the Land located at Halibut Point Rd, Sitka, AK 99835 ("the Leased Land"); and Lessee 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 Lessee, 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 Lessee may mortgage the Leased Land only with the written consent of SCLT. The Ground Lease further provides that SCLT 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 Lessee/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 Lessee because the Lessee 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 SCLT. Upon receiving a copy of the notice of default and within that period of time in which the Lessee has a right to cure such default (the "cure period"), the SCLT shall have the right to cure the default on the Lessee'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 SCLT of its intention to do so and SCLT 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 loans and to take assignment of the Mortgage.

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

5) Nothing in the Mortgage shall be construed as rendering SCLT or any subsequent holder of the SCLT'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 SCLT or SCLT's interest in the Leased Land, but will look solely to Lessee and Lessee'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 SCLT's consent to the Mortgage shall be without any liability on the part of SCLT 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 SCLT to execute an assignment of the Lease Fee or other rent payable by Lessee under the terms of this Lease.

By:

_____ for Mortgagee Date: _____
_____ for Lessee/Mortgagor Date: _____

INCLUDE AN EXHIBIT OF THE LENDER'S RIDER. TO BE PROVIDED TO TITLE COMPANY BY LENDER AND SIGNED AT CLOSING. RECORDED WITH THE NOTICE OF GL AND INCLUDED WITH GL DOCUMENTS FOR FILING AT THE SCLT OFFICE.

Exhibit F: 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 G: ZONING

Attach copy of ZONING classification for property, as of the commencement of the Lease

R-2 Multifamily district

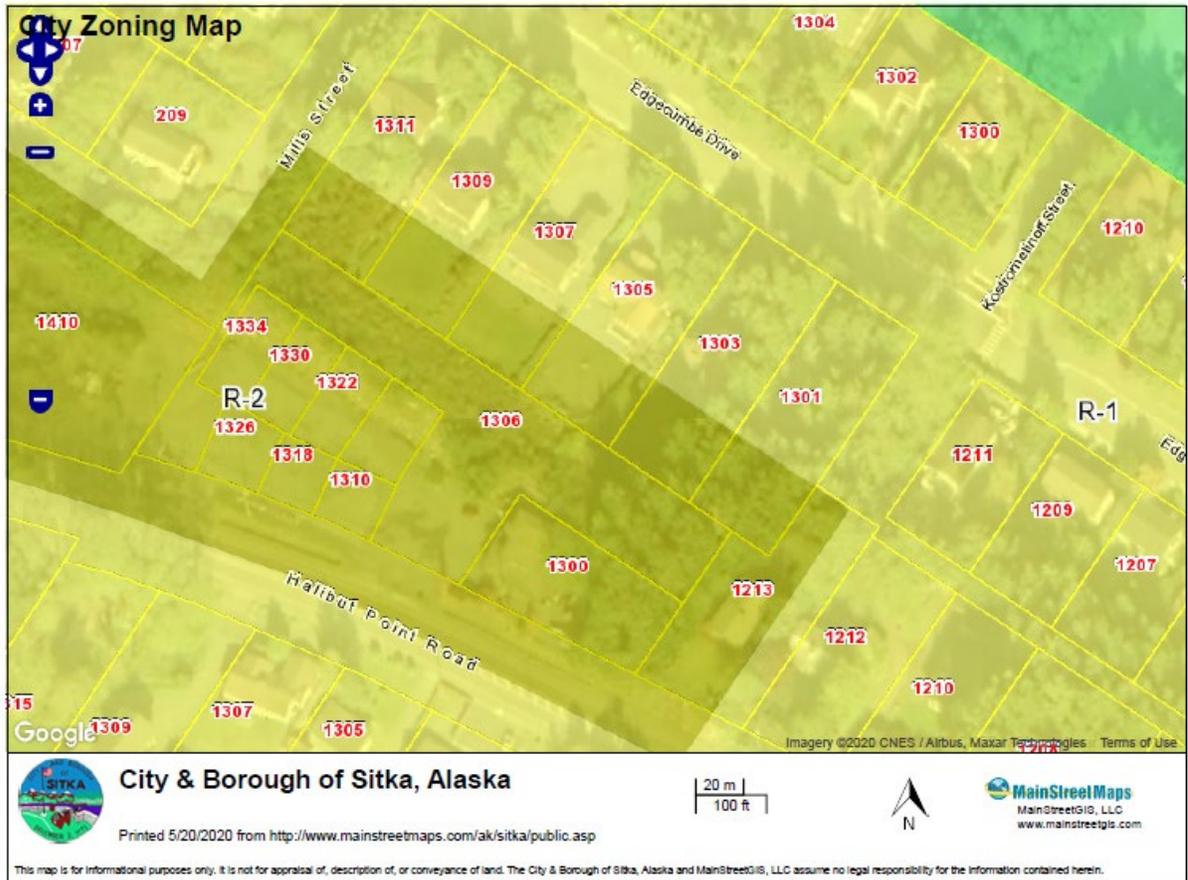


Exhibit H: INITIAL APPRAISAL

Attach copy of initial appraisal

Other Exhibits to be Attached, as Appropriate

Exhibit RESTRICTIONS *[To be attached when Lessor is stipulating use restrictions above and beyond those included under Zoning]*

Notice of Ground Lease

Deed of Trust

1-4 Family Rider (Assignment of Rents)

Leasehold Rider

Tax Exempt Bond Program Rider (First Home Limited)

Assignment of Deed of Trust

Assignment of Lease for Security Purposes

Assignment of Assignment of Lease for Security

CLT Ground Lease Rider