

NORTHERN COMMUNITIES LAND TRUST LAND LEASE AGREEMENT

TABLE OF CONTENTS

RECITALS:	1
SECTION 1 Letters of Stipulation and Acknowledgment.	2
SECTION 2. Demise of Land.	2
2.1 Premises.....	2
2.2 Reservation of Mineral Rights.....	2
2.3 Condition of Leased Premises.....	2
SECTION 3. Duration of Land Lease.	2
3.1 Principal Term.	2
3.2 Land Lessee's Option to Extend.	2
3.3 Change of Land Owner; Land Lessee's Right to Purchase.	3
SECTION 4. Use of Land.	3
4.1 Residential Use Only	3
4.2 Responsible Use.	3
4.3 Responsible for Others.	3
4.4 Occupancy.	4
4.5 Inspection.	4
4.6 Land Lessee's Right to Peaceful Enjoyment.....	4
4.7 Condition of Land, Compliance with Covenants and Law.	4
SECTION 5. Land Lease Fee.	4
5.1 Land Lease Fee.....	4
5.2 Calculation of Land Lease Fee.	5
5.3 Payment of Land Lease Fee.....	5
5.4 Reduction, Delay or Waiver of Land Lease Fee.....	5
5.5 Adjustment of Land Use Charge.	5
5.6 Initial Land Use Charge.....	6
5.7 Adjustment of Administrative Charge.....	6
SECTION 6. Taxes and Assessments.	6
6.1 Payment of Land Taxes by Land Owner with Land Lease Fee Proceeds.....	6
6.2 Land Lessee's Responsibility, for Taxes and Assessments on Improvements.....	7
6.3 Land Lessee's Right to Contest.....	7
6.4 Payments in Event of Delinquency.....	7
6.5 Proof of Compliance.....	7
SECTION 7. Improvements.	7
7.1. Ownership.....	7
7.2 Acquisition of Improvements by Land Lessee.	8
7.3 Construction and Alteration.....	8
7.4 Prohibition of Liens.	8
7.5 Maintenance.	8
7.6 Disposition of Improvements upon Expiration or Termination of Lease Term.....	8
SECTION 8. Financing.	9
8.1 Permitted Mortgage(s) Only.....	9
8.2 Land Owner's Consent to Permitted Mortgage.....	10
8.3 Rights of Permitted Mortgagee.....	10

8.4	Approval of Amendments.....	11
8.5	New Land Lease to Permitted Mortgagee.	11
8.6	No Termination as to Permitted Mortgagee During Foreclosure.....	12
8.7	Provisions Subject to Foreclosure.	12
8.8	Notice.	12
8.9	Costs of Permitted Mortgage.	12
SECTION 9. Liability, Insurance, Damage and Destruction, Eminent Domain.		12
9.1	Land Lessee's Liability.	12
9.2	Indemnification of Land Owner.	12
9.3	Payment by Land Owner.	12
9.4	Insurance.....	12
	a)Hazard Insurance.....	13
	b)Liability Insurance.	13
	c)Land Owner as Additional Insured.....	13
	d)Adjustment of Coverage Amounts.....	13
9.5	Damage or Destruction.....	13
9.6	Eminent Domain and Public Dedication.	14
9.7	Sole Remedy.....	15
9.8	Relocation of Lessee.....	15
SECTION 10. Transfer, Sale or Disposition of Improvements.		15
10.1	Intent and Effect.	15
10.2	Transfers to Income Qualified Buyers.....	15
10.3	Transfer to Land Lessee's Heirs or Household Members.	16
10.4	Notice to Land Owner.	16
10.5	Land Owner's Option to Purchase.	17
10.6	Period for Exercising Option.....	17
10.7	Land Lessee's Purchase Price.	17
10.8	Initial Appraised Values.	17
10.9	Purchase Option Price.	18
	a) Calculation of Appreciation in Market Value of the Improvements.....	18
	b) Calculation of Land Lessee's Share of Appreciation in Market Value of the Improvements....	18
	c) Calculation of Purchase Option Price.....	19
10.10	Actual Purchase Option Price.....	19
10.11	Land Owner's Power of Attorney to Conduct Sale.....	19
10.12	Right of First Refusal in lieu of Option.....	19
SECTION 11. Assignment and Sublease.		19
SECTION 12. Default.		20
12.1	Events of Default.....	20
12.2	Land Owner's Default.....	21
SECTION 13. Arbitration.		21
13.1	Process.....	21
13.2	Costs.....	22
SECTION 14. General Provisions.....		22
14.1	Land Lessee's Membership.....	22
14.2	Notices.....	22
14.3	No Brokerage.....	22
14.4	Severability of Land Lease Terms and Duration of Rights and Options.	22
14.5	Waiver.	23
14.6	Land Owner's Right to Prosecute or Defend.	23
14.7	Construction.	23
14.8	Captions and Table of Contents.....	23
14.9	Parties Bound.....	23
14.10	Governing Law.....	23
14.11	Recording.	23

14.12 Counterparts	24
14.13 Costs	24
14.14 Force Majeure.....	24
EXHIBIT A - Letter of Stipulation of Land Lessee.....	26
EXHIBIT B - Letter of Acknowledgment of Land Lessee's Attorney	28
EXHIBIT C - Land.....	29
EXHIBIT D - First Refusal.....	30
EXHIBIT E - Restrictions.....	32
EXHIBIT F - Deed And Bill Of Sale.....	33
EXHIBIT F-1 Legal Description	34
EXHIBIT G - Notice of Intent to Sell.....	35
EXHIBIT H - Notice of Intent Regarding Purchase Option.....	36

NORTHERN COMMUNITIES LAND TRUST LAND LEASE

THIS LAND LEASE (“Land Lease”) is made, entered into and effective this ___ day of _____, by and between NORTHERN COMMUNITIES LAND TRUST, a Minnesota nonprofit corporation (“NCLT”), and _____, single/husband and wife as joint tenants/tenants in common (“Land Lessee”).

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

- Exhibit A - Letter(s) of Stipulation of Land Lessee
- Exhibit B - Letter of Acknowledgment of Land Lessee's Attorney
- Exhibit C - Land (Legal Description of Property)
- Exhibit D - First Refusal
- Exhibit E - Restrictions
- Exhibit F - Bill Of Sale (Form of Bill of Sale to Improvements)
- Exhibit G - Notice of Intent to Sell (Form of Notice)
- Exhibit H - Notice of Intent Regarding Purchase Option (Form of Notice)

RECITALS:

A. NCLT is organized as a not-for-profit Corporation under The **Minnesota** Nonprofit Corporation Act of the State of **Minnesota** exclusively for charitable purposes, including: the development and preservation of decent, permanently affordable housing for low and moderate income people in St. Louis County and nearby areas; the conservation of land and natural resources by means such as fostering responsible long-term occupancy; the promotion of neighborhood stability and the creation of a more equitable and stable system of property and housing opportunities in St. Louis County and nearby areas; and the creation of home ownership opportunities for low and moderate income people, who otherwise would be denied such opportunities because of limited financial resources; and

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

C. The Land described hereunder has been acquired and is being leased by NCLT in furtherance of these charitable purposes; and

D. Land Lessee shares the purposes and goals of NCLT and has agreed to enter into this Land Lease not only to obtain those certain benefits to which Land Lessee is entitled hereunder, but also to further the charitable purposes of the NCLT, and

E. NCLT and Land Lessee recognize the special nature of the terms and conditions of the Land Lease, and each of the parties hereto, with the independent and informed advice of legal counsel, freely accepts said terms and conditions, including, without limitation, such terms and conditions as might affect the marketability or resale price of any residential structures or other improvements on the Land; and

F. It is mutually understood and accepted by NCLT and Land Lessee that the terms and conditions of this Land Lease further the parties' shared goals over an extended period of time and through a succession of owners;

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

**SECTION 1.
Letters of Stipulation and Acknowledgment.**

Attached hereto and made part of this Land Lease by reference are **Exhibit A - Letter(s) of Stipulation of Land Lessee**, and **Exhibit B - Letter of Acknowledgment of Land Lessee's Attorney** setting forth their review and understanding of this Land Lease (in particular, Section 10 hereof), the terms and conditions contained herein, and related documents for this transaction.

**SECTION 2.
Demise of Land.**

2.1 Premises.

NCLT, in consideration of the rents reserved and the terms, conditions, covenants and agreements herein, hereby leases to Land Lessee, and Land Lessee does hereby take and lease from NCLT, the property (referred to in this Land Lease as the "Land") described in **Exhibit C - LAND**, attached hereto, exclusive of any Improvements (as defined in Section 7.1 herein) thereon. NCLT has furnished to Land Lessee a copy of the most current, if any, title report previously obtained by NCLT for the Land, and Land Lessee accepts Land Lessee's interest in the Land in the Land's condition "as is" as of the execution hereof.

2.2 Reservation of Mineral Rights.

NCLT reserves to itself all the minerals and other extractive resources in or on the Land. Said reservation shall not diminish the right of the Land Lessee under this Land Lease to occupy and freely use the Land. Any eventual extraction by the NCLT of minerals or other extractive resources in or on the Land shall be carried out with as little disruption to the Land Lessee as is reasonably possible. In instances requiring a material disruption of the Land Lessee's right of use and occupancy of the Land, NCLT shall not make said extraction without the consent of the Land Lessee.

2.3 Condition of Leased Premises.

Land Lessee represents that the Land, any sidewalks, the title to the Land, parking areas adjoining the same, any subsurface conditions thereof, and the present uses and non-uses thereof, have been examined by Land Lessee and that Land Lessee accepts the same in the condition or state in which they or any of them may be, without representation or warranty, express or implied, in fact or by law, by NCLT and without recourse to NCLT.

SECTION 3.
Duration of Land Lease.

3.1 Principal Term.

The term of this Land Lease shall be ninety-nine (99) years, commencing on the day of _____, and terminating on the _____ day of _____, unless terminated sooner or extended as provided herein.

3.2 Land Lessee's Option to Extend.

Land Lessee may extend the principal term of this Land Lease for one (1) additional period of ninety-nine (99) years, subject to all of the provisions of this Land Lease; provided that NCLT may make changes to the terms of the Land Lease for the renewal period prior to the commencement of such renewal period but only if such changes do not materially harm Land Lessee's rights hereunder. Land Lessee's right to exercise the option to extend is subject to the following conditions: this Land Lease shall be in effect at the time notice of exercise is given and on the last day of the term; and there shall not then be an Event of Default by Land Lessee (as defined in Section 12 hereof) under this Land Lease nor under any loan documents between Land Lessee and any Permitted Mortgagee (hereinafter defined). In order to extend the term of this Land Lease, Land Lessee shall give NCLT written notice, not more than 365 nor less than 180 days before the last day of the current term, irrevocably exercising the option to extend. Each party shall then execute a memorandum, in mutually agreeable recordable form, acknowledging the fact that the option has been exercised and otherwise complying with the requirements of law for an effective memorandum or notice of lease.

3.3 Change of Land Owner; Land Lessee's Right to Purchase.

In the event that ownership of or title to the Land on which the Improvements are located is conveyed or transferred (whether voluntarily or involuntarily) by NCLT to any other person or entity, this Land Lease shall not cease, but shall remain binding and unaffected. However, in the event NCLT desires or attempts to sell, convey or otherwise transfer the Land to any person or entity other than to a 501 (c) (3) or 501 (c) (4) non-profit corporation, charitable trust, governmental agency or other similar entity sharing the goals and objective set forth in the Recitals above (or as security for a mortgage loan), the Land Lessee shall have a right of first refusal to purchase the Land. This right shall be as specified in **Exhibit D - First Refusal** attached hereto and incorporated herein, construed appropriately to be applicable to such a transfer by NCLT. Any sale or other transfer contrary to this Section shall be null and void.

SECTION 4.
Use of Land.

4.1 Residential Use Only.

Land Lessee shall use, and shall cause all occupants thereof to use, the Land and Improvements (as defined in Section 7.1 below) only for residential purposes and such incidental activities related to residential use as are currently permitted by applicable zoning, building, subdivision and land use laws. In addition, transfers of Land Lessee's interest in the Land shall be subject to the restrictions hereof, including Sections 10 and 11. Land Lessee agrees and acknowledges that the foregoing limitations, all other conditions and restrictions contained herein, and any conditions and restrictions set forth in **Exhibit E - Restrictions** attached hereto and incorporated herein, are essential to the fulfillment of the charitable

purposes of NCLT and are conditions and restrictions on the use of the Land intended to run the full term of this Land Lease. A violation of the Restrictions is a violation of this Land Lease.

4.2 *Responsible Use.*

Land Lessee shall use the Land in a manner so as not to cause harm to others or create any nuisances, public or private, and always in compliance with applicable law; and shall dispose of any and all waste, litter, refuse, and yard waste, in a safe and sanitary manner.

4.3 *Responsible for Others.*

Land Lessee shall be responsible for the use of the Land by any residents thereof, families, their friends or visitors, or anyone else using the Land with their actual or implied consent, and shall make them aware of the spirit, intent and appropriate terms of this Land Lease.

4.4 *Occupancy.*

Land Lessee shall occupy the Land as Land Lessee's principal residence for at least eight (8) months of any twelve (12) month period during this Land Lease, unless otherwise agreed in writing by NCLT. Occupancy by children or other immediate family members or dependents of Land Lessee shall be deemed occupancy by Land Lessee.

4.5 *Inspection.*

NCLT may inspect any portion of the Land at any reasonable time (but ordinarily not more than one time in a single calendar year) and in any reasonable manner upon at least 72 hours oral or written notice to Land Lessee. In the event of emergency or a perceived danger to someone's health or safety, NCLT may inspect any portion of the Land without notice provided NCLT shall have made reasonable efforts to give advance notice to Land Lessee.

4.6 *Land Lessee's Right to Peaceful Enjoyment.*

Land Lessee has the right to undisturbed enjoyment of the Land, and NCLT has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Land Lessee, subject to the terms, covenants, conditions, provisions, restrictions, or reservations of this Land Lease.

4.7 *Condition of Land, Compliance With Covenants and Law.*

Land Lessee shall maintain the Land and Improvements in good, workable, safe, and habitable condition in all respects except for normal wear and tear, and in full compliance with all applicable covenants, easements, restrictions and agreements, and all laws, ordinances, rules and regulations of any governmental authority with jurisdiction over matters concerning the condition and use of the Land and Improvements.

**SECTION 5.
Land Lease Fee.**

5.1 *Land Lease Fee.*

In consideration of the possession, continued use and occupancy of the Land, and unless NCLT consents otherwise, Land Lessee shall pay to NCLT a monthly Land Lease Fee (the "Land Lease Fee") equal to:

- a) a Land Use Charge (defined in Section 5.5 herein) of twenty dollars (\$20.00), subject to periodic adjustment as set forth below; plus
- b) an Administrative Charge of five dollars (\$5.00), subject to periodic adjustment as set forth below; plus
- c) one-twelfth (1/12) of the annual real estate taxes and any other municipal charges whatsoever applicable to the ownership or use of the Land or Improvements (such as water and sewer charges) provided that this charge shall not be included in the Land Lease Fee if a Permitted Mortgagee escrows and pays real estate taxes for the Land and Improvements; plus
- d) special assessments or tax adjustments against the Land, prorated over the number of months for which said assessments or adjustments apply; plus
- e) one-twelfth (1/12) of the insurance premiums for insurance NCLT maintains with respect to the Land, provided that NCLT shall waive this portion of the Land Lease Fee for any month during which Land Lessee maintains the insurance required pursuant to Section 9.

If the Permitted Mortgagee is maintaining escrow accounts for payments of mortgage, taxes, and insurance, then Land Lessee shall have the option to also pay the Land Lease Charge and Administrative Charge into the escrow account. If Permitted Mortgagee is unwilling or unable to escrow any part of the Land Lease Fee, the Land Lessee shall pay that part of the Land Lease Fee directly to NCLT.

5.2 Calculation of Land Lease Fee.

Promptly after the receipt by NCLT of bills for the upcoming year for such real property taxes, special assessments, insurance, and other items which constitute portions of the Land Lease Fee, but in any event not later than December 15th of each year, NCLT shall give Land Lessee notice of the estimated total amount of the Land Lease Fee for the then coming year. If a bill for the coming year for any item included in the Land Lease Fee is not available as of the time NCLT gives such notice, NCLT shall make a projected computation based upon the charge for such item the immediately prior year. A final adjustment shall be made in the Land Lease Fee and Land Lessee shall be notified thereof promptly after NCLT receives the applicable bill for the then current year.

5.3 Payment of Land Lease Fee.

Subject to the provisions of Section 6.2 below, the Land Lease Fee shall be payable at NCLT's principal address specified herein, or if so directed by NCLT in writing, to the Permitted Mortgagee, on the first day of each month of each year of the term hereof. In the event this Land Lease commences between any of the aforesaid payment dates, a pro-rata portion of the Land Lease Fee shall be paid for the balance of such month at the time of the execution hereof.

5.4 Reduction, Delay or Waiver of Land Use Charge and Administrative Charge.

NCLT in its sole discretion may reduce, delay or waive entirely the Land Use Charge and Administrative Charge at any time and from time to time in consideration of the personal

hardship or incapacity of the Land Lessee or Land Lessee's general ability to pay. The intent of this section is to foster continued occupancy by the resident owners despite the occurrence of unforeseeable financial and personal hardship if that is reasonably possible.

5.5 Adjustment of Land Use Charge.

a) The Land Use Charge specified in Section 5.1(a) above has been calculated to approximate the monthly fair rental value of the Land, current as of the commencement of the Lease term, recognizing that its use is restricted by certain provisions of this Land Lease. The Land Use Charge shall be applicable in calculating the Land Lease Fee at all times during the term of this Land Lease, as such Land Use Charge shall be adjusted as hereinafter provided. Notwithstanding the generality of the foregoing, in the event that, for any reason, the provisions of Section 10 or Section 11 of this Land Lease regarding transfers of the Improvements are suspended or invalidated, then during such portion of the term of this Land Lease as Land Lessee shall as a result thereof not be required to comply with the provisions of said Sections 10 or Section 11, the Land Use Charge shall be increased to an amount calculated by NCLT to equal the fair rental value of the Land for use not so restricted, but initially an amount not to exceed one percent (1%) of the appraised value of the Land per month. In such event, upon NCLT's election exercised by notice to Land Lessee, the Land Use Charge shall be as such notice shall specify.

b) In order to keep the Land Use Charge reasonably current, the amount specified in Section 5.1(a) shall increase annually by One Dollar (\$1.00) ~~commencing with the fifth anniversary of this Land Lease.~~ However, NCLT may, in its sole discretion, by written notice to Land Lessee, waive the increase in any year. In no event shall the Land Use Charge exceed one percent (1%) of the appraised value of the Land per month. For purposes of this paragraph, if there is an FHA insured mortgage on the Land, the appraised value shall be HUD's original site valuation, if available.

c) The Land Use Charge shall be recalculated through such reasonable process as NCLT shall determine, and shall be based upon the standards set forth in Section 5.5(a) above. NCLT shall notify Land Lessee promptly upon such recalculation of the new Land Use Charge amount, and if Land Lessee shall not state objections to such recalculated amount and the basis for its objection and its proposed recalculated amount within thirty (30) days after receipt of such notice, the Land Use Charge shall then be as stated by NCLT in such notice. If the Land Lessee shall so object to the recalculated Land Use Charge and the parties are thereafter unable to agree upon a recalculated Land Use Charge within fifteen (15) days of NCLT's receipt of Land Lessee's objection, the dispute shall be resolved according to the arbitration process set forth in Section 13 of this Land Lease; except that the arbitrators chosen by each party shall have reasonably substantial experience in the valuation of real estate. Upon the final determination of the recalculated Land Use Charge in accordance with the terms of this Section 5.5, NCLT shall maintain in its file a notarized certification of the amount of such recalculated Land Use Charge.

5.6 Initial Land Use Charge.

To promote affordability for the Land Lessee, NCLT agrees that the monthly Land Use Charge shall be twenty dollars (\$20) for the initial ~~sixty (60) months (5 years)~~ **twelve (12) months (1 year)** of this Land Lease. Following this period the Land Use Charge shall be the amount defined in Section 5.1(a), above, subject to periodic adjustment as defined in Section 5.5 above.

5.7 Adjustment of Administrative Charge.

In order to keep the Administrative Charge reasonably current, the amount specified in Section 5.1(b) may be recalculated ~~in the year 2005 and~~ every five years thereafter during the term of this Land Lease. Any adjustment in the Administrative charge shall be based upon any increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers in the Duluth, Minnesota region, as maintained by the U.S. Department of Labor, that may have taken place during the intervening five year period, or some comparable index if this index becomes unavailable or is discontinued.

**SECTION 6.
Taxes and Assessments.**

6.1 Payment of Land Taxes by NCLT with Land Lease Fee Proceeds.

Provided that Land Lessee has paid the entire Land Lease Fee to NCLT promptly and fully in accordance with the foregoing Section 5, NCLT shall pay all taxes or assessments owed for its ownership of the Land ("Land Taxes") with the proceeds generated from the Land Lease Fee. NCLT shall keep that portion of the Land Lease Fee designated for Land Taxes in a tax escrow account. Such tax escrow account may contain funds collected for such purpose from other land lessees of NCLT. Land Lessee shall not be entitled to any interest on the payments made. NCLT may from time to time at its discretion change the number and/or location of said tax escrow account. NCLT and Land Lessee shall cooperate in securing any discount that may be available for early payment of Land Taxes. If the Land Lessee is escrowing Land Taxes and Assessments with the Permitted Mortgagee, then Permitted Mortgagee shall pay Land Taxes and Assessments.

6.2 Land Lessee's Responsibility, for Taxes and Assessments on Improvements.

Land Lessee shall be responsible for payment of all taxes and assessments, no matter how designated, that relate to the Improvements and the Land (any or all of the foregoing "Taxes"). So long as Land Lessee shall not be in monetary default hereunder, but subject to Section 5.1 hereof, Land Lessee shall be permitted to pay such Taxes directly to the taxing or assessing authority. From and after notice of a monetary default to Land Lessee so stating, NCLT may require that some or all of such payments of Taxes be made to NCLT as part of the Land Lease Fee, such that one twelfth (1/12th) of the annual amount of such Improvement Taxes shall thereafter be included with each monthly Land Lease Fee payment.

To the extent any Taxes are not collected as part of the Land Lease Fee, but subject to Section 5.1 hereof, Land Lessee shall pay promptly when due such Taxes directly to the taxing or assessing authority. Land Lessee shall also pay directly, when due, any and all other service bills, utilities charges, or other governmental assessments charged against the Land.

6.3 Land Lessee's Right to Contest.

Land Lessee shall have the right to contest the amount or validity of any Land Taxes. NCLT shall, upon written request by Land Lessee, join in any such proceedings if Land Lessee shall reasonably determine that it shall be necessary or convenient for NCLT to so join in order for Land Lessee to prosecute such proceedings and NCLT feels the contest is meritorious, in its sole discretion. All costs and expenses of such proceedings, including NCLT's attorney fees, shall be paid by Land Lessee.

6.4 *Payments in Event of Delinquency*

In the event that Land Lessee fails to pay the Taxes or other charges specified in Section 6.2 above which are not otherwise part of the Land Lease Fee, NCLT may increase Land Lease Fee payments in amounts such that the total sum collected will offset the cost of any delinquent and current Taxes or other charges, and make such payments in a timely manner.

6.5 *Proof of Compliance.*

Concurrently with the payment thereof and upon the request of the other party, each party shall furnish evidence satisfactory to the other documenting the payment of all taxes, assessments, and charges paid by such party as required or permitted by the provisions of this Land Lease. A photocopy of a paid receipt for such charges showing payment prior to the due date thereof shall be the usual method of furnishing such evidence.

SECTION 7. Improvements.

7.1 *Ownership.*

It is expressly understood and agreed that any and all buildings, structures, fixtures, and other improvements purchased by the Land Lessee or constructed or placed by the Land Lessee upon any part of the Land at any time during the term of this Land Lease (the "Improvements") shall be and remain property of the Land Lessee. Title to such Improvements shall be and remain vested in the Land Lessee. Land Lessee's exercise of the rights of ownership is subject and subordinate, however, to the provisions of this Land Lease, in particular Section 7.6. below, regarding disposition of the Improvements upon the expiration or termination of this Land Lease and Section 10 below, regarding NCLT's option to purchase the Improvements. In addition, Land Lessee shall not sever or remove the Improvements from the Land under any circumstances.

7.2 *Acquisition of Improvements by Land Lessee.*

Simultaneously with the effective date of this Land Lease, Land Lessee is acquiring the Improvements now located on the Land and described in the Bill of Sale, the form of which is attached to this Land Lease as **Exhibit F - Bill Of Sale**.

7.3 *Construction and Alteration.*

Any construction in connection with an existing or new Improvement is subject to the following conditions: (1) all costs shall be borne and paid for by the Land Lessee; (2) all construction shall be performed in a workmanlike manner and shall comply with all applicable laws, ordinances and regulations, including, without limitation, the requirements of local and state public health authorities; (3) all construction must be consistent with the permitted uses set forth in Section 4; (4) the exterior dimensions (including height) of such Improvements shall not be increased or expanded and new Improvements shall not be constructed without the prior written consent of NCLT; (5) Land Lessee shall obtain written permission from NCLT prior to commencing construction in the event that the construction costs will exceed \$10,000; and (6) all construction and alterations shall not diminish the value of the Improvements.

7.4 *Prohibition of Liens.*

No lien for services, labor or materials resulting from Land Lessee's capital improvements shall attach to NCLT's title to the Land or to NCLT's interest in the Land or to

any other property owned by NCLT. Land Lessee shall not suffer or permit any vendor's, mechanic's, laborer's, or materialman's statutory or similar lien to be filed against the Land, the Improvements, or any interest of NCLT or Land Lessee which remains more than sixty (60) days after filing thereof, and Land Lessee shall cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or as otherwise permitted by law. If Land Lessee shall fail to cause such lien to be discharged within the period aforesaid, then, in addition to any other right or remedy of NCLT, NCLT may, but shall not be obligated to, discharge the same by paying the amount in question. Land Lessee in good faith and at Land Lessee's expense may contest the validity of any such asserted lien, provided Land Lessee has furnished a bond in an amount set by statute or otherwise sufficient to release the Land from such lien. Any amounts paid by NCLT hereunder in respect of such liens shall be deemed to be an additional Land Lease Fee payable by Land Lessee upon demand.

7.5 Maintenance.

Land Lessee shall, at Land Lessee's sole expense, maintain the Land and all Improvements (which specifically includes maintenance and repair of sewer, water, electrical, telephone, cable, gas, and any other services and utilities, sidewalks, curbs, driveways, landscaping, vegetation, sprinkler systems, and any and all structures and other improvements on, under or above the surface of the Land) in good, safe, habitable and workable condition and in accordance with all applicable laws, rules, ordinances, orders and regulations of all governmental agencies and entities with jurisdiction and all insurance companies insuring all or any part of the Land or Improvements. NCLT shall not be required to furnish any services or facilities, including but not limited to heat, electricity, air conditioning, water, sewer, telephone, cable, gas, or other service or facility, or to make any repairs to the Land or Improvements, and Land Lessee hereby assumes the full and sole responsibility for furnishing all services or facilities.

7.6 Disposition of Improvements upon Expiration or Termination of Lease Term.

Upon the expiration of the term of this Land Lease, as such term may be extended or sooner terminated in accordance with this Land Lease, Land Lessee shall yield up and surrender the Improvements together with the Land to the NCLT. The Improvements shall thereupon revert in title to NCLT, provided, however, that in the event of a reversion upon the expiration (but not an early termination) of the term of this Land Lease, the NCLT shall promptly pay to Land Lessee as consideration for the Improvements an amount equal to the Actual Purchase Option Price calculated in accordance with Section 10 of this Land Lease as of the time of such reversion in title. In anticipation of such reversion of title and NCLT's obligation to pay Land Lessee for the Improvements as aforesaid, not later than two (2) years prior to the expiration of the term hereof, NCLT shall present to Land Lessee a plan specifying in reasonable detail NCLT's intended means of satisfying its obligations under this Section 7.6.

SECTION 8. Financing.

8.1 Permitted Mortgage(s) Only.

Land Lessee may mortgage, pledge, or encumber the Improvements or its leasehold interest hereunder, or any portion thereof or interest therein only pursuant to a Permitted

Mortgage. A "Permitted Mortgage" shall be a mortgage or trust deed, and "Permitted Mortgages" shall be mortgages or trust deeds which:

a) run in favor of an "institutional lender" such as, but not limited to, a federal, state, or local housing finance agency, a bank (including savings and loan association or insured credit union), an insurance company, a pension and/or profit-sharing fund or trust, or any combination of the foregoing, the policies and procedures of which institutional lender are subject to direct governmental supervision;

b) are a first lien on all or any of the Improvements (the "Security");

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

d) provide, among other things, that if after such cure period the Permitted Mortgagee intends to accelerate the note secured by such Permitted Mortgage or initiate foreclosure proceedings under the Permitted Mortgage, all in accordance with this Section 8.1, the Permitted Mortgagee shall first notify NCLT of its intention to do so and NCLT shall have the right, but shall not have the obligation, upon notifying the Permitted Mortgagee within thirty (30) days of receipt of said notice from Permitted Mortgagee, to pay off the indebtedness secured by the Permitted Mortgage and to acquire the Security; and

e) provide that Permitted Mortgagee shall use reasonable efforts to sell the Security pursuant to any sale after or in lieu of foreclosure to a purchaser who is an Income Qualified Buyer, as defined herein.

f) NCLT may, in its discretion, waive any of these requirements upon mortgagee's request.

8.2 *NCLT's Consent to Permitted Mortgage.*

Not less than thirty (30) days prior to the date on which a Land Lessee desires a mortgage to be effective, Land Lessee shall furnish, or cause to be furnished to NCLT, true and correct copies of each and every document and instrument to be executed in connection with the transaction represented by such mortgage. Notwithstanding anything to the contrary contained herein, NCLT shall be required to consent to such mortgage only if:

a) the mortgage so submitted is a Permitted Mortgage as defined by the provisions hereof or NCLT has given a written waiver of any requirement;

b) at the time of such submission and at the time proposed by Land Lessee for the execution of such documents, no default under this Land Lease is then outstanding;

c) such Permitted Mortgage and related documentation do not contain any provisions other than provisions generally contained in mortgages used for similar transactions in the State of **Minnesota** by institutional mortgagees;

d) such Permitted Mortgage and related documentation do not contain any provisions which could be construed as rendering NCLT or any subsequent holder of the NCLT's interest in and to this Land Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt evidenced by the note and Permitted Mortgage or any part thereof;

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

f) such Permitted Mortgage and related documentation provide that in the event any part of the Security is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the holder of the Permitted Mortgage in accordance with the provision of Section 9 of this Land Lease; and

g) nothing contained in such Permitted Mortgage or related documentation obligates NCLT to execute an assignment of the Land Lease Fee or other rent payable by Land Lessee under the terms of this Land Lease.

8.3 *Rights of Permitted Mortgagee.*

Any Permitted Mortgagee shall without requirement of consent by NCLT have the right, but shall not have the obligation, to:

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

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

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

d) receive notice of intent to terminate this Land Lease because of Land Lessee's default.

Permitted Mortgagee shall not, as a condition to the exercise of its rights hereunder, be required to assume personal liability for the payment and performance of the obligations of the Land Lessee hereunder. Any such payment or performance or other act by Permitted Mortgagee hereunder shall not be construed as an agreement by Permitted Mortgagee to

assume such personal liability except to the extent Permitted Mortgagee actually takes possession of the Security [or collects fees or rents from Land Lessee]. In the event Permitted Mortgagee does take possession of the Security and thereupon transfer the Security, any such transferee shall be required to enter into a written agreement assuming such personal liability and upon any such assumption the Permitted Mortgagee shall automatically be released from personal liability hereunder.

In the event that title to the estates of both NCLT and Land Lessee shall be acquired at any time by the same person or persons, no merger of said 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 said mortgage. In the event that the estate of NCLT is owned at any time by Land Lessee (regardless of a merger), or by any person in which Land Lessee has a direct or indirect interest, Permitted Mortgagee shall not be obligated to cure any default of Land Lessee hereunder as condition to the forbearance by NCLT in the exercise of NCLT's remedies as herein provided.

8.4 *Approval of Amendments.*

Any amendments to this Land Lease shall be subject to the written approval of Permitted Mortgagee, which approval shall not be unreasonably withheld or delayed. The passage of thirty (30) days after submittal to Permitted Mortgagee of a proposed amendment without approval or disapproval by Permitted Mortgagee shall be deemed approval thereof.

8.5 *New Land Lease to Permitted Mortgagee.*

If this Land Lease is terminated for any reason, or in the event of the rejection or disaffirmance of this Land Lease pursuant to bankruptcy law or other law affecting creditors' rights, NCLT shall enter into a new lease of the Land with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, the designation of which party is subject to the NCLT's approval, and 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 Land Lease, effective as of the date of such termination, rejection or disaffirmance, and upon all the terms and provisions contained in the Land Lease. However, the Permitted Mortgagee shall make a written request to NCLT 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 Land Lessee thereunder, and the Permitted Mortgagee shall have cured all defaults under the Land Lease which can be cured by the payment of money. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Land as the Land Lease. The provisions of this Section shall survive the termination, rejection or disaffirmance of the Land Lease and shall continue in full effect thereafter to the same extent as if this Section were independent and an independent contract made by NCLT, Land Lessee and the Permitted Mortgagee.

8.6 *No Termination as to Permitted Mortgagee During Foreclosure.*

NCLT shall have no right to terminate this Land Lease as to the Permitted Mortgagee during such time as the Permitted Mortgagee has commenced foreclosure in accordance with the provisions hereof and is diligently pursuing the same. However, NCLT shall be entitled to pursue any and all claims and remedies it may have against the Land Lessee, including, without limitation, termination of Land Lease as to the Land Lessee or termination of the Land Lessee's right of possession.

8.7 Provisions Subject to Foreclosure.

In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of this Land Lease, at the election of the Permitted Mortgagee the provisions in Sections 10.1 through 10.12 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.

8.8 Notice.

Whenever in this Section notice is to be given to Permitted Mortgagee, such notice shall be given in the manner set forth in Section 14.2 of this Land Lease to the Permitted Mortgagee at the address which has been given by the Permitted Mortgagee to NCLT by a written notice to NCLT sent in the manner set forth in said Section 14.2 of this Land Lease.

8.9 Costs of Permitted Mortgage.

Land Lessee shall pay to NCLT at NCLT's option, as additional rent hereunder, all fees, costs, and expenses, including, without limitation, reasonable attorney fees, incurred by NCLT in connection with any Permitted Mortgage.

SECTION 9.

Liability, Insurance, Damage and Destruction, Eminent Domain.

9.1 Land Lessee's Liability.

From and after the date hereof, Land Lessee assumes sole responsibility and liability to any and all persons and authorities related to its possession, occupancy and use of the Land.

9.2 Indemnification of NCLT.

NCLT shall not be liable, and Land Lessee shall defend, indemnify and hold NCLT harmless against all liability and claims of liability for damage or injury to person or property from any cause on or about the Land. Land Lessee waives all claims against NCLT for damage or injury to person or property on or about the Land arising, or asserted to have arisen, on or about the Land from any cause whatsoever. Notwithstanding the foregoing two sentences, NCLT shall remain liable (and Land Lessee shall not indemnify and defend NCLT against or waive such claims of liability) for damage or injury due to the grossly negligent or intentional acts or omissions of NCLT or NCLT's agents or employees.

9.3 Payment by NCLT.

In the event NCLT shall be required to pay any sum whatsoever which is the Land Lessee's responsibility or liability, the Land Lessee shall promptly reimburse NCLT therefor and for reasonable expenses caused thereby.

9.4 Insurance.

All insurance policies required by this Section 9.4 shall contain endorsements providing that they shall not be canceled, reduced in amount or coverage or otherwise modified by the insurance carrier involved without not less than thirty (30) days prior written notice being given to NCLT. Upon request of the NCLT, Land Lessee shall provide NCLT with copies of all insurance policies and renewals thereof required by this Section 9.4. NCLT shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance.

a) Hazard Insurance.

Land Lessee shall, at Land Lessee's sole expense, keep all Improvements continuously insured against loss or damage by fire and the extended coverage hazards for the full replacement value of such Improvements or such lesser amount which shall be sufficient to avoid co-insurance of the Improvements.

b) Liability Insurance.

Land Lessee shall, at Land Lessee's sole expense, maintain continuously in effect bodily injury liability insurance covering the Land and its appurtenances in the amounts of not less than TWO HUNDRED FIFTY THOUSAND dollars (\$250,000.00) for injury to or death of any one person; and THREE HUNDRED THOUSAND dollars (\$300,000.00) for injury to or death of any number of persons in one occurrence; and TWO HUNDRED FIFTY THOUSAND dollars (\$250,000.00) for property damage or in such other amounts for any such bodily injury liability insurance, and/or property damage insurance as NCLT shall from time to time determine reasonable. Such insurance shall specifically insure Land Lessee against all liability assumed hereunder, as well as all liability imposed by law.

c) NCLT as Additional Insured.

The liability insurance coverage as is required by this Section shall also insure NCLT as an additional insured so as to create the same liability on the part of insurer as though separate policies had been written for NCLT and Land Lessee.

d) Adjustment of Coverage Amounts.

The dollar amount of each such coverage shall be adjusted at least every two (2) years from the date hereof or upon NCLT's demand given not more often than annually, upon 30 days notice to Land Lessee. This adjustment shall be equal to the percentage of change (positive or negative) over the period since the last adjustment in the Consumer Price Index for urban wage earners and clerical workers for the urban area in which the land is located, or such other index which reasonably measures adjustments in coverage amounts for the applicable type of insurance. Such index is maintained by the Office of Prices and Living Conditions of the Bureau of Labor Statistics of the U.S. Department of Labor.

9.5 *Damage or Destruction.*

Except as provided below in this Section 9.5, in the event of fire or other casualty to any Improvements, Land Lessee shall forthwith commence, and thereafter diligently and continuously prosecute to completion, the repair of such damage and the restoration of such Improvements to their condition immediately prior to such damage. All such repairs and restoration shall be completed as promptly as possible. Land Lessee shall also promptly take all steps necessary to assure that the Land shall be and remain safe and the damaged Improvements not constitute a hazard or danger to persons or property from the time of the fire or other casualty.

In no event shall the Land Lease Fee be suspended or abated, unless NCLT, in its sole discretion, decides to do so in consideration of the personal hardship or incapacity of Land Lessee. The intent of this section is to foster perpetual occupancy by low or moderate income residents, as defined below, despite the occurrence of unforeseeable financial and personal hardship.

If Land Lessee, using reasonable judgment and in reliance upon professional estimates and advice, determines either (a) that such full repair and/or restoration is physically impossible, or (b), provided that Land Lessee has fulfilled all of the hazard insurance requirements set forth in Section 9.4 of this Land Lease, the available insurance proceeds are not more than eighty percent (80%) of the cost of such repair and/or restoration, then Land Lessee may terminate this Land Lease by written notice to NCLT given not later than sixty (60) days after the occurrence of a fire or other casualty which causes substantial damage to the Improvements. Such termination notice shall not, however, be effective until sixty (60) days after the date upon which it is received by NCLT. During such time NCLT shall have the opportunity to seek an adjustment from the insurer so as to increase the amount of available insurance proceeds, arrange for such repair and/or restoration at a cost sufficiently low so as to avoid condition (b) of the preceding sentence, or design a partial restoration of the Improvements which would be sufficient to provide Land Lessee with Improvements of reasonably equivalent quality that are reasonably useable by Land Lessee, with a floor area not less than eighty percent (80%) of the floor area of the Improvements as they existed immediately prior to such fire or other casualty; and in any of the foregoing cases, the NCLT may render Land Lessee's termination notice null and void by written notice of such action to Land Lessee within such additional sixty (60) day period. If NCLT shall fail to so nullify the termination notice, then this Land Lease shall terminate at the expiration of such sixty (60) day period after NCLT's receipt of Land Lessee's termination notice, and any proceeds of insurance payable to Land Lessee on account of such fire or other casualty shall be paid as provided below.

Such proceeds shall be paid: first, to the expenses of collection thereof. Remaining proceeds shall be paid next to the Permitted Mortgagee in the amount owing under the Permitted Mortgage, then next to NCLT in an amount equal to the cost of removal of the Improvements and returning the Property to its condition prior to construction of the Improvements, and then next to the Land Lessee (or its Permitted Mortgagee if required by the Permitted Mortgage) up to the then applicable Actual Purchase Option Price (as of immediately prior to the casualty) calculated pursuant to Section 10 below less any amounts paid to a Permitted Mortgagee, or for taxes, assessments or other costs then owing for the Improvements and chargeable to Land Lessee. The balance of such proceeds, if any, shall be paid to NCLT.

9.6 Eminent Domain and Public Dedication.

In the event of a taking of the entire Land by reason of eminent domain or other action of a public authority prior to the expiration of the term of this Land Lease, this Land Lease shall terminate as of the date Land Lessee is thereby required to give up possession of the Land, and the entire amount of any award(s) paid shall be allocated among Permitted Mortgagee, Land Lessee and NCLT according to the same order of allocation as that calculated for a casualty according to the preceding Section 9.5.

In the event of a taking (as aforesaid) of less than the entire Land, then the proceeds paid or payable by reason of such taking shall be allocated as follows:

a) If the Improvements may reasonably be restored to a residential use consistent with this Land Lease, NCLT may in its discretion allocate some or all of the proceeds to enable Land Lessee to repair and restore that which may remain thereof.

b) Any remainder after such allocation shall be paid over in accordance with an allocation made as provided above for a taking of the entire Land.

Any and all proceedings brought by a party in connection with the claim or claims for damages as a result of any taking referred to in this Section shall be conducted by and at the sole expense of such party. If any provision of law now or hereafter in effect shall require that said proceedings be brought by or in the name of any owner or Land Lessee of the Land, such party shall join in such proceedings or permit the same to be brought in its name. Each party covenants and agrees to do any and all acts and to execute any and all documents which may be required to enable the other to maintain such proceedings. If such party required to join in the proceedings shall incur any cost or expense in connection with such proceedings, such party shall be entitled to reimbursement for the reasonable amount thereof and same shall likewise constitute a first charge against any award.

9.7 Sole Remedy.

The remedies specified in this Section 9 shall constitute Land Lessee's sole remedy in the event of a taking of the entire, or less than the entire, Land and shall not give rise to any cause of action by Land Lessee against NCLT for damages.

9.8 Relocation of Lessee.

In the event of a termination of this Land Lease by reason of damage, casualty or taking, NCLT shall take reasonable steps to grant Land Lessee a leasehold interest in another tract that it owns, if such other tract is available and if Land Lessee agrees to contribute any proceeds or award received by Land Lessee to purchase or develop such other property and enter a Land Lease substantially similar to this one. In no event shall NCLT be required to terminate the tenancy of any other lessee or withhold any property from development or rental so as to accommodate Land Lessee, and NCLT's failure to supply similar leasehold premises or any premises whatsoever shall not give rise to any cause of action by Land Lessee against NCLT for damages, specific performance or other remedy.

SECTION 10.

Transfer, Sale or Disposition of Improvements.

10.1 Intent and Effect.

The terms and conditions of this Section 10 have been freely accepted by the parties, each with the independent and informed advice of legal counsel. The provisions and restrictions contained herein exist to further the mutual purposes and goals of NCLT and Land Lessee set forth herein to create and preserve access to land, decent and affordable housing and home ownership opportunities for low and moderate income people who are often denied such opportunities for lack of financial resources. It is the express understanding and intent of the parties that the terms and conditions hereof, and in particular of this Section 10 are intended in part to enhance the marketability of any Improvements on the Land by making them affordable to low and moderate income families who, absent such provisions, would be unable to afford them. It is expressly agreed that this paragraph is merely a statement of intent and does not create any additional rights in the favor of the Land Lessee.

10.2 Transfers to Income Qualified Buyers.

Land Lessee may sell, transfer, or otherwise dispose of its interest in the Land or the Improvements only to anyone who is an Income Qualified Buyer (hereinafter defined) and only for an amount which is equal to or less than the Purchase Option Price, as defined

below. However, such transfers shall be subject to NCLT 's review and purchase option rights set forth in this Section 10. Any purported sale, transfer or other disposition to any other person or entity done without following the procedures set forth below or in violation of such price limitations, except in the case of a sale, transfer or other disposition to a Permitted Mortgagee in lieu of foreclosure or a disposition to heirs under Section 10.3 below in accordance with the terms hereof, shall be null and void.

"Income Qualified Buyer" shall mean a person, or group of persons within a household whose combined income does not exceed Eighty percent (80%) of the median household income for such number of persons in the Duluth Standard Metropolitan Statistical Area (or, if not within such Area, for the County), as determined from time to time by the Department of Housing and Urban Development (HUD) or any successor thereto.

10.3 Transfer to Land Lessee's Heirs or Household Members.

Upon (i) receipt of notice from Land Lessee, or (ii) receipt of notice from the executor of the decedent's estate given within ninety (90) days of the death of the Land Lessee (or the last surviving co-owner of the Improvements) NCLT shall, unless for good cause shown, consent to a transfer of the Improvements and an assumption of this Land Lease to and by one or more of the following possible heirs of Land Lessee:

- a) the spouse of the Land Lessee; or
- b) the child or children of the Land Lessee; or
- c) member(s) of the Land Lessee's household who have resided upon the premises for at least one year prior to the receipt of notice from the Land Lessee or at least one year prior to Land Lessee's death.

A person listed in 10.3 a, b, or c is entitled to possession of the Land even if that person is not a low or moderate income resident. Any other person or persons who are heirs, legatees or devisees of the Land Lessee must demonstrate to NCLT's reasonable satisfaction that they meet the definition of Income Qualified Buyer herein, and if any such person is unable to do so, then such person shall not be entitled to possession of the Land but must transfer the Land in accordance with the provisions hereof.

10.4 Notice to NCLT.

a) if Prospective Buyer Is Not Known: If Land Lessee intends to offer the Improvements for sale but has no specific person intended or committed to purchase the Improvements, then Land Lessee shall give NCLT notice in form and substance similar to that of **Exhibit G - Notice of Intent to Sell**, attached hereto. Included with such notice, Land Lessee shall furnish a detailed listing of the terms and conditions of such intended sale. If NCLT, upon receipt of Land Lessee's notice, fails to exercise its option to purchase the Improvements on the terms and within the time period set forth in Sections 10.5 and 10.6 below, Land Lessee is free to sell the Improvements in the open market to any party at not more than the then applicable Purchase Option Price (as defined below).

b) if Prospective Buyer is Known: Except in the case of a sale, transfer or other disposition to a Permitted Mortgagee in lieu of foreclosure, in each event that Land Lessee contemplates an assignment of its interest herein or a sale, transfer or disposition of the Improvements to a particular third party, then not less than sixty (60) days prior to the

planned closing, the Land Lessee shall give NCLT notice in form and substance similar to that of **Exhibit G - Notice of Intent to Sell**, attached hereto. Such notice shall not be effective unless Land Lessee shall furnish, or cause to be furnished, the following items: (1) the tax return of the assignee or buyer for the immediately preceding year; (2) a current verification of assignee's or buyer's employment; (3) pay stubs of the assignee or buyer for the three months immediately preceding the month in which notice is given to NCLT; (4) a letter of stipulation from such assignee or prospective buyer in form and substance similar to that of **Exhibit A - Letter of Stipulation of Land Lessee** hereto; (5) a letter of acknowledgment from such assignee or prospective buyer's attorney in form and substance similar to that of **Exhibit B - Letter of Acknowledgment of Land Lessee's Attorney** hereto; and (6) a statement of the terms of sale. Land Lessee shall not accept an offer from a particular third party to purchase, transfer or otherwise dispose of any of Land Lessee's interest in this Land Lease or the Improvements until NCLT has had all of the items listed in this section 10.4(b) for forty-five (45) days, unless the terms of such sale, transfer or disposition specifically provide for NCLT's prior approval.

No assignment, sale, transfer or other disposition shall be effective unless and until NCLT, within forty-five (45) days of receipt of Land Lessee's Notice Of Intent To Sell and accompanying documentation, confirms in writing that such assignee or buyer is an Income Qualified Buyer and that the terms of sale are permitted under this Land Lease. If NCLT fails to respond in writing within forty-five (45) days of its receipt of such notice, such failure on the part of NCLT shall be deemed to constitute confirmation of such status.

10.5 NCLT's Option to Purchase.

Upon receipt of any notice given in accordance with Section 10.4 above, NCLT shall have the option to purchase said Improvements at the Actual Purchase Option Price as set forth in Section 10.10 below and within the time period set forth in Section 10.6 below. NCLT's purchase option shall include the right to assign this purchase option to a third party (the "Designated Purchase Option Assignee"), provided however that such assignee shall be an Income Qualified Buyer, as defined herein. The Purchase Option Price is designed to further the goals and purposes set forth herein by helping to preserve the affordability of the Improvements to succeeding Income Qualified Buyers while taking fair account of the investment of labor and capital by the Land Lessee.

10.6 Period for Exercising Option

a) Within forty-five (45) days of any notice given by Land Lessee in accordance with Section 10.4 above, Land Lessee shall be notified of NCLT's intentions in form and substance similar to that of **Exhibit H - Notice of Intent Regarding Purchase Option**, attached hereto, or the purchase option set forth in Section 10.5 above will expire. If NCLT, or Designated Purchase Option Assignee, shall elect to exercise the purchase option, the notice of such election shall include a good faith estimation of the Purchase Option Price.

b) Within forty-five (45) days of notice of election to exercise, NCLT, or NCLT's Designated Purchase Option Assignee shall enter into a contract of purchase and sale of the Improvements with Land Lessee or said purchase option will expire. Said contract of purchase and sale shall stipulate a closing date within sixty (60) days, unless extended by agreement of the parties.

c) If the Purchase Option Price as determined by the formula set forth below, is more than 110% of the good faith estimation made in the notice of election to exercise the

purchase option, then said contract for purchase and sale may be canceled by written notice to Land Lessee given within five (5) business days of the date on which the appraisal required for calculating the Purchase Option Price is delivered. If the contract of purchase and sale is so canceled, Land Lessee is free to sell the Improvements in the open market to any party at not more than the then applicable Purchase Option Price.

10.7 Land Lessee's Purchase Price.

NCLT and Land Lessee hereby agree that Land Lessee's total purchase price for the Improvements existing on the Land as of the commencement of the term of this Land Lease is \$_____. (the "Land Lessee's Purchase Price").

10.8 Initial Appraised Values.

NCLT and Land Lessee do hereby acknowledge and certify that immediately prior to Land Lessee's acquisition of the Improvements, a market valuation of the Land and Improvements was conducted by analysis and comparison of comparable properties as though title to Land and Improvements were held in fee simple absolute, disregarding the restrictions of this Land Lease on the use of the Land and the transfer of the Improvements located thereon and that said market valuation indicated separate values for the Land and the Improvements (hereinafter referred to as an "Appraisal"). NCLT and Land Lessee agree, acknowledge and attest that said Appraisal determined the market value of the Land to be \$ (the "Initial Appraised Value of the Land") and the market value of the Improvements to be \$_____ (the "Initial Appraised Value of the Improvements"). Land Lessee shall provide NCLT with a copy of the Appraisal.

10.9 Purchase Option Price.

At the time of the giving of Land Lessee's Intent to Sell Notice, Land Lessee shall submit to NCLT, at Land Lessee's expense, an Appraisal of the Land and the Improvements then located on the Land performed by a licensed property appraiser as quickly as possible thereafter (the "Current Appraised Value of the Land and Improvements"). Within ten (10) days of receipt of the Appraisal from the Land Lessee, NCLT shall either (a) accept the Appraisal as accurately representing the market value of the Improvements for purposes of calculating the Purchase Option Price, or (b) order a second appraisal by a licensed appraiser, at NCLT's expense, and submit a copy of this second appraiser's report to Land Lessee within forty-five (45) days of the giving of the Intent to Sell Notice. If a second appraisal is ordered, the amount to be used in determining the "Appreciation in Market Value of the Improvements" shall be the average of the two appraised values reported by the two appraisers. Values contributed by the Land and the Improvements shall be indicated by separate figures (the "Current Appraised Value of the Land" and the "Current Appraised Value of the Improvements"). The Purchase Option Price for the Improvements, designed to ensure affordability to low and moderate income households, shall be determined by the formula below:

a) Calculation of Appreciation in Market Value of the Improvements.

For the purpose of determining the Purchase Option Price, Appreciation in Market Value of the Improvements shall be determined by subtracting from the Current Appraised Value of the Improvements, as defined in this Section 10.9, the Initial Appraised Value of the Improvements as defined in Section 10.8 above. Following is a table for calculating Appreciation in Market Value of the Improvements:

Current Appraised Value of the Improvements	\$ _____
Minus Initial Appraised Value of the Improvements	- \$ _____
Equals Appreciation in Market Value of the improvements	= \$ _____

b) Calculation of Land Lessee's Share of Appreciation in Market Value of the Improvements.

For the purpose of determining the Purchase Option Price, Land Lessee's Share of Appreciation in Market Value of the Improvements shall be determined by multiplying the Appreciation in Market Value of the Improvements by thirty percent. Following is a table for calculating Land Lessee's Share of Appreciation in Market Value of the Improvements:

Appreciation in Market Value of the Improvements	\$ _____
multiplied by Shared Appreciation Factor	x 30%
equals the Land Lessee's Share of Appreciation in Market Value of the Improvements	= \$ _____

c) Calculation of Purchase Option Price.

The Purchase Option Price, which is also NCLT's option price to purchase the Improvements, shall be determined by adding Land Lessee's Share of Appreciation in Market Value of the Improvements to Land Lessee's Purchase Price. Following is a table for calculating the Purchase Option Price:

Land Lessee's Purchase Price	\$ _____
plus Land Lessee's Share of Appreciation in Market Value of Improvements	+ \$ _____
equals Purchase Option Price	= \$ _____

Land Lessee freely agrees that this Purchase Option Price constitutes a fair return to them and/or their successors for the opportunity to enter the local home ownership marketplace which, prior to the execution of this Land Lease, remained closed to them as a matter of limited financial resources.

10.10 Actual Purchase Option Price.

In the event that the Current Appraised Value of the Improvements, as defined in Section 10.9 above, is less than Land Lessee's Purchase Price as set forth in Section 10.7 above, the Actual Purchase Option Price shall be the Current Appraised Value of the Improvements at the time of any notice given by Land Lessee in accordance with Section 10.4 above. In all other events, the Actual Purchase Option Price shall be the Purchase Option Price calculated as defined in Section 10.9 above.

10.11 NCLT 's Power of Attorney to Conduct Sale.

In the event NCLT, or NCLT's Designated Purchase Option Assignee does not exercise its option to purchase as set forth above, and Land Lessee a) is not then residing in the Improvements and b) continues to hold the Improvements out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one (1) year of the date of any notice given in accordance with Section 10.4 above, Land Lessee does hereby appoint NCLT its attorney in fact to seek a buyer, negotiate a reasonable price which furthers the goals set forth herein, sell the property, and distribute proceeds of sale, minus NCLT's costs of sale and reletting and any other sums owed NCLT by Land Lessee.

10.12 Right of First Refusal in lieu of Option.

If the provisions of the option set forth herein shall, for any reason, become unenforceable, NCLT shall nevertheless have a right of first refusal to purchase the Improvements at the highest documented bona fide purchase price offer made to Land Lessee. Such right shall be as specified in **Exhibit D - First Refusal** attached hereto and incorporated herein. Any sale or transfer contrary to this Section, when applicable, shall be null and void.

**SECTION 11.
Assignment and Sublease.**

Except as otherwise provided in Section 8 regarding Permitted Mortgages and Section 10 regarding transfers, Land Lessee shall not assign, sublease, sell or otherwise convey any of Land Lessee's rights under this Land Lease without the prior written consent of NCLT. Land Lessee agrees that NCLT shall have sole discretion to withhold such consent in order to further the mutual purposes and goals set forth herein. If consent is granted, any assignment or sublease shall be subject to the following conditions:

- a) any such assignment or sublease shall be subject to all of the terms and provisions of this Land Lease
- b) in the case of a sublease, the rental or occupancy fee charged the sublessee shall not be more than that amount charged the Land Lessee by NCLT, plus an amount approved by NCLT to cover costs to Land Lessee for the Improvements; and
- c) in the case of an assignment, the total consideration for such assignment and the related sale or transfer of the Improvements shall not exceed the Actual Purchase Option Price as calculated in accordance with Section 10 hereof, and assignment shall comply with all other requirements of Section 10 including income restrictions.

**SECTION 12.
Default.**

12.1 Events of Default.

It shall be an Event of Default:

- a) if Land Lessee shall fail to pay the Land Lease Fee or other charges for which provision is made herein within thirty (30) days after NCLT has sent to Land Lessee notice of such default and such default is not cured by any Permitted Mortgagee within thirty (30) days after a subsequent notice from NCLT to such Permitted Mortgagee of Land Lessee's failure to cure such default within the initial 30-day grace period; however, if Land Lessee shall make a good faith partial payment of at least two-thirds (2/3) of the Land Lease Fee during such initial 30 day grace period, then such period shall be extended one additional 30 day period; or
- b) if Land Lessee shall fail to perform or observe any other term or condition in this Land Lease, and such failure is not cured by Land Lessee or a Permitted Mortgagee within sixty days (60) days after notice thereof from NCLT to Land Lessee and such Permitted Mortgagee; however, in the case where the Land Lessee or Permitted Mortgagee

has commenced to cure such default within such sixty day (60) day period and is continuing such cure with all due diligence but cannot by the exercise of due diligence cure such default within such period, such period shall be extended for such additional period as may be reasonably required under the circumstances to complete such cure; or

c) if the estate hereby created shall be taken on execution or by other process of law, or if Land Lessee shall be judicially declared bankrupt or insolvent according to law, or if any assignment shall be made of the property of Land Lessee for the benefit of creditors, or if a receiver, trustee in involuntary bankruptcy or other similar officer shall be appointed to take charge of all or any substantial part of Land Lessee's property by a court of competent jurisdiction, or if a petition shall be filed for the liquidation or reorganization of Land Lessee under any provisions of the Bankruptcy Code now or hereafter enacted, or if Land Lessee shall file a petition for such liquidation or reorganization, or for arrangements under any provision of the Bankruptcy Code now or hereafter enacted and providing a plan for a debtor to settle, satisfy or extend the time for payment of debts. In any of said cases and upon the expiration of any applicable cure period, NCLT may, immediately or at any time thereafter, terminate this Land Lease and initiate summary proceedings or any other appropriate legal proceedings against Land Lessee. Pursuant to such proceedings, without demand or notice, NCLT may enter into and upon the Land or any part thereof in the name of the whole and repossess the same, and expel Land Lessee and those claiming through or under Land Lessee and remove its or their effects without being guilty of any manner of trespass, and without prejudice to any remedies which might otherwise be used for arrears of rent or preceding breach of covenant. If this Land Lease is terminated by NCLT, or if NCLT re-enters the Land pursuant to an Event of Default, or otherwise incurs costs or expenses in correcting or remedying an Event of Default, the Land Lessee agrees to pay and be liable for any unpaid Land Lease Fee, damages which may be due or sustained prior to or in connection with such termination, re-entry, or correction or remedying of an Event of Default, and all reasonable costs, fees and expenses (including, without limitation, reasonable attorneys' fees) incurred by NCLT in pursuit of its remedies under this Land Lease.

If NCLT shall elect to terminate the Land Lease pursuant to any provision thereof, then the Permitted Mortgagee shall have the right (subject to NCLT's rights under Section 8 above) to postpone and extend the specified date for the termination of the Land Lease for a period sufficient to enable the Permitted Mortgagee or its designee to acquire Land Lessee's interest in the Land Lease by foreclosure of its mortgage or otherwise.

12.2 NCLT's Default.

NCLT shall in no event be in default in the performance of any of NCLT's obligations hereunder unless and until NCLT shall have failed to perform such obligations within sixty (60) days, or such additional time as is reasonably required to correct any default, after notice by Land Lessee to NCLT properly specifying wherein NCLT has failed to perform any such obligation.

SECTION 13. Arbitration.

13.1 Process.

Should any grievance or dispute arise between NCLT and Land Lessee concerning the terms of this Land Lease which cannot be resolved by normal interaction between the parties, the following arbitration procedure shall be used:

a) NCLT or Land Lessee shall notify the other by written notice of its selection of a disinterested arbitrator. Within fifteen (15) days of the receipt of this written notice, the other party may by written notice to the initiator of the arbitration process appoint a disinterested arbitrator of its own choice. These two arbitrators shall select a third arbitrator. If the other party fails to timely name an arbitrator in response to the receiving of the written notice from the initiator, the arbitrator selected by the initiator shall be the sole arbitrator.

b) The arbitrator or arbitrators shall hold a hearing within thirty (30) days after the initial written notice by the initiator of the arbitration process. At the hearing, NCLT and Land Lessee shall have an opportunity to present evidence and question witnesses in the presence of each other.

c) As soon as reasonably possible, and in no event later than fifteen (15) days after the hearing, the arbitration panel shall make a written report to the NCLT and Land Lessee of its findings and decisions, including a personal statement by each arbitrator of his/her decision and the reasons for it. The arbitrators shall decide the dispute or claim in accordance with the substantive law of the State of **Minnesota** and what is just and equitable under the circumstances. The decisions and awards of the majority of the arbitration panel shall be binding and final between the NCLT and Land Lessee.

13.2 Costs.

Each party shall bear its own costs, if any, in any arbitration pursuant to this Article; provided, however, that the arbitration panel shall have the power to award all or a portion of costs against a party found to have pursued the grievance or dispute in bad faith or for undue delay.

**SECTION 14.
General Provisions.**

14.1 Land Lessee's Membership in NCLT.

The Land Lessee under this Land Lease automatically shall be a regular voting member of NCLT.

14.2 Notices.

Whenever this Land 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 NCLT:

Northern Communities Land Trust
206 West 4th Street
Duluth, MN 55806

With a copy to:

Alok Vidyarthi
Johnson, Killen, Thibodeau and Seiler, P.A.
811 Norwest Center
Duluth, MN 55802

If to Land Lessee:

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

14.3 No Brokerage.

Land Lessee warrants and represents that it has not dealt with any broker other than _____ in connection with the consummation of this Land Lease, and in the event any claim is made against NCLT relative to dealings with brokers other than _____, Land Lessee shall defend the claim against NCLT with counsel of NCLT's selection and save harmless and indemnify NCLT on account of loss, cost or damage which may arise by reason of any such claim.

14.4 Severability of Land Lease Terms and Duration of Rights and Options.

If any clause, Section, paragraph, or subparagraph of this Land Lease shall be unenforceable or invalid, such material shall be read out of this Land Lease and shall not affect the validity of any other clause, section, paragraph, or subparagraph, or give rise to any cause of action of either party to this Land Lease against the other, and the remainder of this Land Lease shall be valid and enforced to the full extent permitted by law. It is the intention of the parties that their respective options to purchase and all other rights and options hereunder shall continue in full force and effect for the duration of the term of this Land Lease and any renewal thereof, and such options and other rights shall be considered to be coupled with an interest. In the event any such option or right shall be considered to be subject to any rule of law limiting the duration thereof, 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 the Board of Directors of Northern Communities Land Trust.

14.5 Waiver.

The waiver by NCLT of, or the failure of NCLT to take action with respect to, any breach of any term, covenant, condition, provision, restriction, or reservation herein contained shall not be deemed to be a waiver of such term, covenant, condition, provision, restriction, or reservation or subsequent breach of same, or of any other term, covenant, condition, provision, restriction, or reservation herein contained. NCLT may grant waivers in the terms of this Lease, but such must be in writing and signed by NCLT before being effective.

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

14.6 NCLT's Right to Prosecute or Defend.

NCLT shall have the right, but shall be under no duty or obligation, to prosecute or defend its own or the Land Lessee's name, any actions or proceedings appropriate or

necessary to the protection of its title to, and Land Lessee's perpetual occupancy, use, and possession of or interest in the Land. Whenever requested by NCLT, Land Lessee shall give NCLT all reasonable aid in any such action or proceeding, in effecting settlement, securing evidence, obtaining witnesses, or prosecuting or defending such action or proceeding.

14.7 Construction.

Whenever in this Land 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 Captions and Table of Contents.

The captions and table of contents appearing in this Land Lease are for convenience only, and are not a part of this Land Lease and do not in any way limit or amplify the terms, covenants, conditions, provisions, restrictions, or reservations of this Land Lease.

14.9 Parties Bound.

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

14.10 Governing Law.

This Land Lease shall be interpreted in accordance with and governed by the laws of **Minnesota**. Venue for any dispute shall be St. Louis County or the County in which the Land is located. The language in all parts of this Land Lease shall be, in all cases, construed according to its fair meaning and not strictly for or against NCLT or Land Lessee.

14.11 Recording.

It is the intention of the parties that either a master Lease or Notice of Lease be recorded in the Deed and Mortgage Records of **St. Louis County, Minnesota** in form recordable and complying with applicable law and reasonably satisfactory to NCLT's attorneys, provided a Short Form Lease or Notice of Lease shall not set forth the rent or other charges payable by Land Lessee under this Land Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Land Lease, and is not intended to vary the terms and conditions of this Land Lease.

14.12 Counterparts.

This Land Lease may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same Land Lease.

14.13 Costs.

Each of the parties agree to pay their own costs and expenses incurred in connection with the negotiation, preparation, execution, consummation, and implementation of this Land Lease and the transactions contemplated hereby, including, but not limited to, the fees and disbursements of their own attorneys, accountants, or other consultants.

14.14 Force Majeure.

No party shall, at any time or times, be deemed to have breached any obligation under this Land Lease or be in default hereunder or be liable for damages by reason of any circumstance or delay resulting from any cause beyond its control.

IN WITNESS WHEREOF, the parties have executed this Land Lease on the day and year first written above.

Northern Communities Land Trust, By: _____
a Minnesota nonprofit corporation

Title:

LAND LESSEE:

STATE OF MINNESOTA)

) ss.

COUNTY OF St. Louis)

The foregoing instrument was acknowledged before me this ____ day of _____,
_____, _____, by _____ as LAND LESSEE and
by _____ as _____ of Northern Communities Land Trust, a
Minnesota nonprofit corporation.

Notary Public

EXHIBIT A - Letter of Stipulation of Land Lessee

TO: Northern Communities Land Trust
FROM: _____, Land Lessee (s)

DATE: _____

This letter is given to become an exhibit to a Land Lease between **Northern Communities Land Trust** and me. I intend to purchase a housing unit located on land owned by **Northern Communities Land Trust** and to lease the land under the house from **Northern Communities Land Trust**. I am buying the house and agreeing to abide by the Lease freely, without pressure from other parties, and with the intent of receiving certain benefits, as described here.

My legal counsel, _____, has explained to me all of the terms and conditions of the Lease and other legal documents that are part of this transaction. I understand the present and future effects of these terms and conditions on my rights of ownership of the housing unit. I have discussed these terms and conditions with _____ (who are my heirs) for the purposes of increasing their understanding and acceptance of these terms and conditions.

I understand that the following documents describe the special nature of the purchase of my home:

- a) this Letter of Stipulation and the Letter of Acknowledgment from my Attorney;
- b) a Bill of Sale to the house and other title information;
- c) the Lease to which this is an exhibit;
- d) the Articles of Incorporation and Bylaws of **Northern Communities Land Trust**;
- e) other publications by **Northern Communities Land Trust**.

The purpose of this Letter of Stipulation is to show to anyone who examines this transaction in the future that I understand and agree to the goals, terms, and conditions set out in these documents, as follows:

1. The **Northern Communities Land Trust**'s program was founded to develop and preserve long-term affordable home ownership for people of limited resources.
2. The goal of Northern Communities Land Trust is to stimulate the conveyance of decent and affordable housing among Income Qualified Buyers, as defined in the Lease, through the long-term leasing of the land under the housing. I am an Income Qualified Buyer as defined in the Lease.

3. Northern Communities Land Trust is the owner of the land on which the housing unit I am buying is located.
4. The price at which I may resell this housing unit is limited by a resale formula in the Lease.
5. I eagerly and freely accept the ownership of this housing unit on these terms and conditions.
6. Both **Northern Communities Land Trust** and I agree that the terms and conditions of the Lease will make it more likely that, if the home is sold at some time in the future, it will be sold, either directly or indirectly, at an affordable price to another Income Qualified Buyer.
7. I intend to occupy the housing unit according to the terms of the Lease. Northern Communities Land Trust will encourage this occupancy in all reasonable ways and provide me the rights and privileges normally associated with home ownership as stated in the Lease.
8. Should I decide to sell the housing unit, Northern Communities Land Trust will have the right to purchase it before it is offered to anyone else. Northern Communities Land Trust may also approve a sale at a limited price to an Income Qualified Buyer.
9. The limited price at which Northern Communities Land Trust or another purchaser would purchase the unit is referred to as the Purchase Option Price. The maximum purchase option price is calculated by subtracting the initial appraised value of the improvements from the current appraised value of the improvements, multiplying the difference by 30% and adding it to the Land Lessee's Purchase Price, as set forth in section 10.9 above.
10. When I sell my housing unit, if the unrestricted market value of my housing unit is lower than the maximum amount determined by the resale formula, the Actual Purchase Option Price may be less than the maximum amount determined by the resale formula, as set forth in section 10.10 above. This limitation on the resale price insures fair compensation to me and the affordability of the property to another Income Qualified Buyer.
11. Although Northern Communities Land Trust has the first option for repurchase of my unit, we both intend that the unit remain in continual occupancy by either myself or my family, household, or heirs.

It is my desire for reasons both of private motivation and sound public policy that the terms of the lease and the other documents be honored. I consider these terms fair and equitable to me.

Sincerely,

EXHIBIT B - Letter of Acknowledgment of Land Lessee's Attorney

I, _____, have been independently employed by _____ (hereinafter "Land Lessee ") who intends to purchase a residential housing unit ("Unit") located at _____, Minnesota.

In connection with the contemplated conveyance of said Unit, I reviewed with Land Lessee the following documents relating to the transaction:

- a) This Letter of Acknowledgment (Exhibit B);
- b) A Letter of Stipulation from the Land Lessee (Exhibit A);
- c) A Bill of Sale to the Unit (Exhibit F);
- d) The Lease to which this is an exhibit;
- e) The "Credit for Qualified Capital Improvements" Amendment
- f) Twin Home Party Wall Agreement

Land Lessee has received full and complete information and advice regarding this conveyance and the foregoing documents. My advice and review have been given to reasonably inform Land Lessee of the present and foreseeable risks and legal consequences of the contemplated transaction.

In my opinion, Land Lessee has entered the aforesaid transaction in reliance on Land Lessee's own judgment and upon Land Lessee's investigation of the facts. The full and complete advice and information provided by me was an integral element of such investigation.

Name

Title

Firm/Address

Telephone

EXHIBIT C - LAND
(Legal Description of the Property)

EXHIBIT E - Restrictions

EXHIBIT F - Bill Of Sale
(Form of Bill of Sale to Improvements)

FOR VALUABLE CONSIDERATION Northern Communities Land Trust, a Minnesota nonprofit corporation (“NCLT”) hereby conveys and quitclaims to _____ (“Land Lessee”), certain property in St. Louis County, Minnesota, generally described as all improvements (“Improvements”) located on the real estate described on the attached Exhibit F-1 (“Land”) including specifically, without limitation, all buildings, structures and fixtures on the Land.

NCLT hereby explicitly states that the Improvements are being sold without warranty and in “as is” condition.

This Bill of Sale is being given pursuant to, and subject to the terms and conditions of a Land Lease dated _____, _____, by and between NCLT and Land Lessee.

NORTHERN COMMUNITIES LAND TRUST

By: _____
Its: _____

STATE OF MINNESOTA)
)ss.
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by _____, the _____ of Northern Communities Land Trust, a Minnesota nonprofit corporation, on behalf of said corporation.

Notary Public

This Instrument Drafted by:
Johnson, Killen & Seiler, P.A.
800 Wells Fargo Center
Duluth, Minnesota 55802

EXHIBIT F-1
(Legal Description)

EXHIBIT G - Notice of Intent to Sell
(Form of Notice)

[Date]

Re: Notice of Intent to Sell

Northern Communities Land Trust
206 West Fourth St
Duluth, MN 55806

To Whom It May Concern:

Please be advised that [I/we] intend to offer [my/our] Improvements, located at _____, for sale. [I/we] [have/have not] identified a prospective buyer at this time.

If prospective buyer is not known, use the following (or similar) language: The terms and conditions of our intended sale are as follows: {insert terms and conditions - e.g. we are moving on (date), we need to find another place before we can move from here, appliances not included, etc. }

[I/we] understand that you, or your Designated Purchase Option Assignee, may choose to exercise the Option to Purchase the Improvements on the terms, and within the time period, set forth in Sections 10.5 and 10.6 of the Land Lease between us, dated [date].

[I/we] also understand that if the Option to Purchase expires according to the terms of Section 10.5 or Section 10.6 of the Land Lease, [I/we] are free to sell the Improvements in the open market to any party at not more than the Purchase Option Price.

If prospective buyer is known, use the following (or similar) language: Enclosed with this notice, are the following items as required by Section 10.4(b) of the Land Lease agreement between us, dated [date]: {list items included with notice}.

If necessary, insert the following: The following items, also required by Section 10.4(b) of the Land Lease, will be provided at a later date: {list items to follow}.

[I/we] understand that this Notice of Intent to Sell will be effective upon the date of your receipt of all items required by Section 10.4(b) of the Land Lease.

[I/we] understand that you will tell [me/us] in writing within 45 days of the effective date of this Notice whether the prospective buyer identified herein is an Income Qualified Buyer, as defined in Section 10.2 of the Land Lease, and whether the terms of the proposed transfer are permitted under the terms of the Land Lease.

[I/we] understand that you, or your Designated Purchase Option Assignee, may choose to exercise the Option to Purchase on the terms, and within the time period, set forth in Sections 10.5 and 10.6 of the Land Lease.

Finally, [I/we] also understand that if the Option to Purchase expires according to the terms of Section 10.5 or Section 10.6 of the Land Lease, [I/we] are free to sell the Improvements in the open market to any party at not more than the Purchase Option Price.

[Salutations]

EXHIBIT H - Notice of Intent Regarding Purchase Option

(Form of Notice)

[Land Lessee]

Date

RE: Notice of Intent Regarding Purchase Option

Dear _____:

Please be advised that we are in receipt of your Notice of Intent to Sell the Improvements located at [address]. Please also be advised that all items required to make your notice effective, according to Section 10.4 of the Land Lease agreement between us, were received by us on **[date]**.

ALTERNATIVE #1: We hereby elect to exercise our Option to Purchase pursuant to Section 10.5 of the Land Lease. We **[have/have not]** chosen to appoint a Designated Purchase Option Assignee at this time. In accordance with Section 10.6 of the Land Lease, our good faith estimation of the Purchase Option price for the Improvements is: \$ _____. In accordance with the terms of Section 10.9 of the Land Lease agreement, arrangements for an Appraisal of the Land and Improvements have been made. Upon delivery of the Appraisal, the Actual Purchase Option Price will be determined as set forth in Section 10.9 and Section 10.10 of the Land Lease.

Northern Communities Land Trust understands that it or its Designated Purchase Option Assignee must enter into a contract for purchase and sale with you by **[date]** which is forty five (45) days from the date of this notice, or Northern Communities Land Trust's purchase option will expire.

ALTERNATIVE #2: Based on the items provided to Northern Communities Land Trust by you and/or your prospective buyer, Northern Communities Land Trust has determined and is satisfied that your prospective buyer is an Income Qualified Buyer and that the terms of the proposed transfer are consistent with the requirements set forth in the Land Lease agreement between us dated _____. You may proceed with the proposed sale, subject to the provisions of Section 10.11.

[Salutations]