

LEASE

(with Purchase Option and Right of First Refusal)

THIS LEASE (“Lease”) is made and entered into this ____ day of _____, 2018 by and between the **CITY OF BELLINGHAM**, a first-class city of the State of Washington (“Landlord”) and **URBAN STRATEGIES, LLC**, a Washington liability company (“Tenant”).

Landlord is the owner of that certain real property located at 1314 Cornwall Avenue, Bellingham, WA 98225 and described on Exhibit A, attached hereto and incorporated herein. Landlord wishes to lease the Land to Tenant and Tenant wishes to lease the Land to redevelop thereon a multi-story, mixed-use building to be known as **DOCK STREET FLATS**. A Development Agreement between Landlord and Tenant, an Assignment and Assumption Agreement of a Portion of the Purchase and Sale Agreement, and Guaranties are being executed simultaneously with this Lease (the “Transaction Agreements”).

Now, therefore, the parties hereto agree as follows:

1. DEFINITIONS/EXHIBITS

Building: the existing building located on the Land and any improvements to such building.

Improvements: the renovation and related construction of the Building and any appurtenant areas to the Building and any subsequent alternations to the Building located on the Land that Tenant owns. Any renovation will comply with the terms of that certain Development Agreement of even date herewith, and all applicable laws and regulations.

Development Agreement: the Development Agreement between Landlord and Tenant regarding Tenant’s project.

Land: the real property described on Exhibit A, excluding the Building and Improvements. The Land is being purchased by Landlord simultaneously with the execution of this Lease and the related Transaction Documents.

Occupancy Date: the date the first temporary or permanent Certificate of Occupancy is issued for the first completed tenant unit within Tenant’s Improvements.

Premises: the Land, the Improvements, and any other area for which Tenant is responsible.

Rent Commencement Date: the Occupancy Date or nineteen (19) months following the date construction of the Improvements commences, whichever is earlier.

Exhibits:

Exhibit "A" – Legal Description of the Land

Exhibit "B" – Permitted Encumbrances

Exhibit "C" – Landlord's Consent

Exhibit "D" – Memorandum of Lease

2. LEASE OF LAND

Landlord, in consideration of the rents hereinafter reserved and of the covenants and conditions herein set forth to be performed by Tenant, does hereby demise and let unto Tenant, the Land for the term and on the conditions contained herein.

3. TENANT'S CONSTRUCTION

3.1 Construction of Tenant's Improvements. The construction of Tenant's Improvements by Tenant is described in detail in the Development Agreement. Tenant shall be responsible for all financing of the Improvements. This Lease shall be senior to all other financing related to the Improvements. Pursuant to the Development Agreement, Tenant shall cause Tenant's Improvements to be constructed by a general contractor (the "Contractor") in accordance with plans and specifications (the "Plans") to be prepared by RMC Architects under the supervision of Jeff McClure (the "Architect"). Subject to the provisions of this Lease and the Development Agreement, Tenant shall cause the construction of Tenant's Improvements to be commenced, and thereafter pursued in an expeditious and diligent manner to completion.

3.2 Security for Construction. Tenant shall not commence construction until it has provided Landlord with (1) evidence satisfactory to Landlord that all financing necessary for the construction of the Improvements has been committed and secured; and (2) completion guaranties, other security for completion of construction reasonably acceptable Landlord, and other commitments to ensure public benefit, as further detailed in the Development Agreement.

3.3 Architects and Contractors. Tenant will have the right to select its architects, contractors, and consultants at its sole discretion. Tenant will require all architects, engineers, or other professional consultants to maintain professional liability insurance, with minimum limits of \$1 million per occurrence and \$1 million of umbrella coverage covering all professional activities performed by them in connection with the Tenant's Improvements. Further, Tenant shall require its contractors to maintain broad form commercial general liability insurance, with minimum limits of \$1 million per occurrence and \$1 million aggregate limit, covering all work performed by contractors in connection with the Improvements.

3.4 Permits. Tenant agrees to obtain and comply with all necessary permits for all Improvements.

3.5 Liens. Tenant agrees to keep the Land free and clear of all liens and charges whatsoever arising out of the actions of Tenant. Tenant shall not allow any materialmen's, mechanic's, or other liens to be placed upon the Land. If such a lien is placed or recorded, Tenant

shall cause it to be discharged of record, at its own expense, within ten days of Landlord's demand either by payment or by bond.

3.6 Future Improvements. Tenant, at its expense, shall have the right to construct future improvements to Tenant's Improvements as Tenant considers appropriate; provided that all design changes to the exterior appearance of Tenant's Improvements are subject to Landlord's approval, which shall not be unreasonably withheld. Landlord's approval shall be given within five (5) days of receipt of written notice from the Tenant of any change. If Landlord fails to respond within the five-day period, the change shall be deemed approved.

3.7 Ownership of Improvements. The parties agree that during the term of this Lease, Tenant's Improvements and all fixtures and improvements thereto are owned by Tenant and Landlord has no ownership therein.

4. TERM/RENEWALS

4.1 Term. The term of this Lease shall be for fifty years commencing on the date of execution hereof by Tenant (the "Lease Commencement Date"), which shall be simultaneously executed with the other Transaction Documents at Closing.

4.2 Renewal Periods. Provided the Lease is in good standing, Tenant shall have the right to renew this Lease for three consecutive ten-year periods by giving written notice of such intention to Landlord at least 120 days prior to the expiration of the term of this Lease or any renewal thereof. Notwithstanding the foregoing, if Landlord does not receive any notice of renewal, Tenant's right to renew shall not be deemed waived unless Landlord notifies Tenant that no notice of renewal was received and Tenant does not respond with an exercise notice within 30 days after receipt of Landlord's notice.

5. RENT

5.1 Rent. Tenant shall pay rent to Landlord monthly in advance during the times and in the amounts described in this Section 5. A late charge of 5% will be assessed against any rent payment not made by the 10th of the month. In addition, if a rent payment is not made by the 10th of the month, Tenant shall also pay interest on the overdue amount at a rate of twelve percent (12%) per annum.

5.2 Initial Rental Rate. The annual Initial Rental Rate ("Rental Rate") shall be \$60,000 payable in equal monthly installments of Five Thousand and No/100 Dollars (\$5,000.00), for the first fifteen (15) years of the lease.

5.3 Late Fees. If Tenant fails to pay any amount due under this Lease within ten (10) days of the due date, a late charge equal to five percent (5%) of the unpaid amount shall be assessed and be immediately due and payable. In addition, interest shall accrue on the delinquent amount at a per annum rate which is the lesser of the highest interest rate permitted by applicable law or twelve percent (12%) per annum.

5.4 Revaluation. In the sixteenth (16th) and thirty-sixth (36th) years of the Lease, the Rental Rate shall be reset to six percent (6%) of the fair market value of the Land, to be determined by an MAI appraisal conducted by an agreed-upon appraiser during years fifteen (15) and thirty-five (35) of this Lease. Should renewal option(s) be exercised, the Rental Rate will be reset to six percent (6%) of the fair market value of the Land to be determined by an MAI appraiser conducted during the year of the renewal. In no event shall the revalued rental rate be less than the rental rate for the preceding lease year. In the event the appraisal values the Land at a lower rate than in the previous rental period, the Rental Rate shall remain as it was in the previous year.

5.5 Rent Increases. Beginning in year twenty-one (21), the Rental Rate shall increase by twelve and one-half percent (12.5%) and shall increase by twelve and one-half percent (12.5%) every five (5) years thereafter.

5.6 Rent Commencement. Tenant shall commence paying monthly rent (equal to the Rental Rate divided by 12) on the Rent Commencement Date. Lessee shall pay any applicable Leasehold Excise Tax, further described in Section 5.7 below that may be due prior to the Rent Commencement Date.

5.7 Leasehold Excise Taxes. Tenant shall pay to Landlord a Leasehold Excise Tax, as required by RCW 82.29A, in lieu of property taxes at the statutory rate. In addition, Tenant shall pay all applicable property taxes on Tenant's Improvements and Tenant's personal property as well as any governmental charges (special and general) of every kind and nature levied or assessed against the Improvements. Unless the statutory rates are changed between the date hereof and the Lease Commencement Date, the initial Leasehold Excise Tax shall be in the amount of \$7,704 per year (12.84% times \$60,000). Since the Leasehold Excise Tax is a percentage of the rent, the total amount paid in taxes shall increase with both the increases in rent and with any increase in the statutory tax rate. Tenant agrees that if the Washington State Department of Revenue ("DOR") determines that \$60,000 is not the amount of "Taxable Rent" or "Contract Rent" as defined by the RCW on which to base the amount due for Leasehold Excise Tax and/or if Leasehold Excise Tax is due for the period between the execution of this Lease and the Rent Commencement Date, Tenant will remit to Landlord any additional amount assessed by DOR and not seek any contribution or defense or indemnity from Landlord regarding the same. If the above occurs, under no circumstances will the Rent be adjusted; Tenant will only be responsible for the increase in Leasehold Excise Tax for the difference in DOR imputed rent. In addition, Landlord agrees to use its best efforts to support the Rental Rate herein in discussions with DOR if DOR should seek to amend such rate.

6. USE/MANAGEMENT

6.1 Tenant's Use. The Premises shall be used only for the purposes permitted under the applicable land use regulations. In addition, for the first ten (10) years after the issuance of the certificate of occupancy for the first completed tenant unit, the first floor that abuts Cornwall Avenue will be used for retail and office uses and will maintain a retail-like appearance, with other uses, including apartments in the rear of the ground floor area. The Premises shall not be used to store, distribute, or otherwise handle flammable or dangerous materials, except those customarily used in providing services related to janitorial, maintenance, repair and upkeep of the Premises.

6.2 Management of the Premises. Tenant shall be responsible for the ongoing management of the Premises. Tenant recognizes that Landlord is relying on the principals of Tenant to manage and maintain the Premises in a first-class manner. Tenant may utilize third parties to manage the day-to-day operations of the Premises, provided the management is performed up to adequate standards for similar properties and Landlord shall be advised of any changes in managers.

6.3 Tenant's Responsibilities. Tenant shall be responsible for all maintenance and repairs to Tenant's Improvements and shall maintain same in good operating condition. Tenant agrees not to allow conditions of waste and refuse to exist on or about the Premises. Tenant shall be responsible for all damages caused to the Premises by Tenant, its agents or any third party.

7. UTILITIES.

7.1 Construction, Hookup, and Metering. Tenant shall be responsible for the construction and hookup charges necessary to bring all utilities to the Premises.

7.2 Usage Charges. Tenant shall pay the charges for all utilities used in construction and operation of the Premises. If, at the conclusion of this Lease, Tenant does not purchase the Land, Tenant shall arrange for its utility services to be terminated and for the final bill to be sent to Tenant. Tenant shall be liable for all utility charges that accrue if it fails to terminate services.

8. INSURANCE/INDEMNIFICATION

8.1 Tenant's Liability Insurance. Tenant shall, commencing on the Lease Commencement Date and continuing thereafter at all times during the existence of this Lease, carry a comprehensive general liability insurance policy covering all claims with respect to injuries or damages to persons or property sustained in, on, or about the Premises, with coverage limits of one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) in the aggregate and with an umbrella policy of one million dollars (\$1,000,000) per occurrence and in the aggregate. Tenant shall provide evidence of such insurance to Landlord on request. Tenant believes and states that the insurance obligation herein does not exceed that which Tenant would otherwise normally place upon itself and obtain in order to operate its business in a prudent manner. Commencing on the Lease Commencement Date, Tenant shall name Landlord as an additional insured with regard to claims arising from occurrences in connection with the Premises. From and after the Lease Commencement Date, Tenant's liability insurance policy shall be primary and non-contributory with or in excess of coverage that Landlord carries. All commercial subtenants of Tenant shall be required to maintain liability insurance with limits of not less than one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) in the aggregate and naming Landlord as additional insured.

8.2 Tenant's Property Insurance. During the term of the Lease, Tenant shall carry "Special Form" (commonly referred to as "all risk") physical damage insurance covering the Premises, including fixtures in an amount equal to at least one hundred percent (100%) of

replacement value of all such property. Such insurance shall: (a) cover explosion of steam and pressure boilers and similar apparatus located on the Premises; (b) include coverage for demolition and increased cost of construction due to the operation of building laws; and (c) provide for replacement cost Improvements valuation. Tenant shall not be required to maintain terrorism insurance. During the period of construction, the property insurance shall be carried in the form of builder's risk insurance in an amount not less than the completed Improvements. Similarly, during any subsequent restorations or alterations, which cost in excess of \$250,000, builder's risk insurance shall be maintained. The deductibles on Tenant's property insurance shall not exceed \$10,000. Tenant shall require its commercial subtenants to carry property insurance on personal property of the subtenants in the amount of its full replacement cost. Tenant will recommend that the residential tenants also carry such insurance.

8.3 Worker's Comp Insurance. Worker's compensation insurance in accordance with Washington state law.

8.4 Other Insurance Requirements. The insurance carried by each party shall also conform to the provisions of this Section. Each policy shall contain an endorsement providing that such insurance may not be materially changed, amended or cancelled with respect to the other party except after thirty days prior written notice from the insurance company to that party. Each party shall provide certificates of insurance to the other upon request. The insurance shall be issued by companies licensed to do business in the State of Washington and rated at least A-/VIII by A.M. Best's rating guide.

8.5 Waiver of Subrogation. Landlord and Tenant hereby release each other from any and all liability or responsibility (to the other or anyone claiming through or under the other by way of subrogation or otherwise) for any loss or damage to real or personal property on the Premises caused by fire or any other insured peril, even if such fire or other casualty shall have been caused by the fault or negligence of the other party or anyone for whom such party may be responsible. In addition, to the extent that Tenant elects not to carry property insurance on its personal property on the Land, Tenant waives any claims against Landlord for damage to that personal property.

8.6 Tenant: Indemnification and Hold Harmless. Subject to Section 8.7, Tenant will indemnify, defend, and hold harmless Landlord, its officers, employees and agents from and against any and all demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments, and all reasonable expense incurred in investigating or resisting the same (including without limitation reasonable attorney's fees and disbursements) to the extent arising from or alleged to arise from: (a) Tenant's, its employees' subtenants' or agents' acts or omissions relating to use or occupancy of the Premises or any subsequent improvements; (b) breach or default by Tenant in the performance of any of its obligations under this Lease; (c) Tenant's violation of any applicable law or statute relating to the Premises; or (d) hazardous materials brought onto the Premises by Tenant, its agents, subtenants or employees; provided that Landlord shall not be released from demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damage or judgments to the extent covered by Landlord's indemnity contained in Section 8.7 below.

8.7 Landlord: Indemnification and Hold Harmless. Subject to Section 8.6, Landlord will indemnify, defend, and hold harmless Tenant, its members, officers, employees and agents from and against any and all demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments, and all reasonable expenses incurred in investigating or resisting the same (including without limitation reasonable attorneys' fees and disbursements) to the extent arising from or alleged to arise from: (a) Landlord's, its employees' or agents' acts or omissions relating to the Premises; (b) breach or default by Landlord in the performance of any of its obligations under this Lease; (c) Landlord's violation of any applicable law or statute relating to the Premises; or (d) hazardous materials brought onto the Premises by Landlord, its agents or employees; provided that Tenant shall not be released from demands, claims, liabilities, losses, costs, expenses, actions, causes of action, damages or judgments to the extent covered by Tenant's indemnity contained in Section 8.6 above.

8.8 EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, TENANT IS LEASING THE PREMISES IN AN "AS IS" CONDITION, "WITH ALL FAULTS" AND TENANT IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM LANDLORD, ANY LANDLORD RELATED PARTIES, OR ITS AGENTS, OR ANY OTHER PERSON ACTING OR PURPORTING TO ACT ON BEHALF OF LANDLORD, AS TO ANY MATTERS CONCERNING THE PREMISES, INCLUDING WITHOUT LIMITATION: (I) THE QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION AND ASPECTS OF THE PREMISES, (II) THE QUALITY, NATURE, ADEQUACY, AND PHYSICAL CONDITION OF SOILS, GEOLOGY AND ANY GROUNDWATER ON THE PREMISES, (III) THE EXISTENCE, QUALITY, NATURE, ADEQUACY AND PHYSICAL CONDITION OF UTILITIES SERVING THE PREMISES, (IV) THE DEVELOPMENT POTENTIAL OF THE PREMISES, AND THE PREMISES' USE, HABITABILITY, MERCHANTABILITY, OR FITNESS, SUITABILITY, VALUE OR ADEQUACY OF THE PREMISES FOR ANY PARTICULAR PURPOSE, (V) THE ZONING OR OTHER LEGAL STATUS OF THE PREMISES OR ANY OTHER PUBLIC OR PRIVATE RESTRICTIONS ON USE OF THE PREMISES, (VI) THE PRESENCE OF HAZARDOUS MATERIALS ON, UNDER OR ABOUT THE PREMISES OR THE ADJOINING OR NEIGHBORING PROPERTY, (VII) THE QUALITY OF ANY LABOR AND MATERIALS USED IN ANY IMPROVEMENTS ON THE PREMISES, (VIII) THE CONDITION OF TITLE TO THE PREMISES, (IX) THE VALUE, ECONOMICS OF THE OPERATION OR INCOME POTENTIAL OF THE PREMISES, OR (X) THE PHYSICAL CONDITION, VALUE, ECONOMICS OF OPERATION OR INCOME POTENTIAL OF THE PREMISES. THE PROVISIONS OF THIS SECTION SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION OF THIS LEASE.

8.9 TENANT SPECIFICALLY AGREES TO DEFEND AND INDEMNIFY LANDLORD FROM CLAIMS OR SUITS BROUGHT BY TENANT'S OR SUBTENANTS' OWN EMPLOYEES AGAINST LANDLORD. FOR THIS PURPOSE, TENANT SPECIFICALLY AND EXPRESSLY WAIVES ANY IMMUNITY THAT MAY BE GRANTED IT UNDER THE WASHINGTON STATE INDUSTRIAL INSURANCE ACT, TITLE 51 RCW. FURTHER, THE INDEMNIFICATION OBLIGATION UNDER THIS LEASE SHALL NOT BE LIMITED IN ANY WAY BY ANY LIMITATION ON BENEFITS PAYABLE TO OR FROM ANY THIRD PARTY UNDER THE WORKER'S COMPENSATION ACTS. THIS WAIVER HAS BEEN MUTUALLY NEGOTIATED BY THE PARTIES.

8.10 Periodic Adjustments in Insurance Levels and Coverage. Commencing five years after the Lease Commencement Date and from time to time thereafter, Landlord can require periodic increases in Tenant's coverage levels and in available coverages in order that the required insurance be reasonably consistent with that coverage customarily provided for similar commercial real estate ground leases and not greater types or levels of insurance as are then generally required by commercial lenders for similar projects. The parties agree that earth movement and terrorism insurance will not be required under this provision. The parties also agree that any required periodic adjustments in Tenant's coverage levels and available coverages provided in this paragraph apply without restriction to Tenant's insurance obligations in this Section 8, and that Tenant will make best efforts to require commercial subtenants to provide for any required adjustments to subtenant's coverage levels and available coverages, provided that Tenant may not be able to require such adjustments if there is a commercial sublease already in place. In such event, Tenant shall require such adjustments as part of any lease renewal or extension.

9. OWNERSHIP OF IMPROVEMENTS – SURRENDER

9.1 Disposition of Improvements at end of Lease. Upon expiration or termination of this Lease or any extension thereof, whether by expiration of the stated terms or sooner termination thereon as herein provided, any building then existing on the Land shall become the property of the then owner of the Land. Thus if this Lease terminates without exercise of Tenant's purchase option, it shall revert to Landlord. If this Lease terminates in connection with Tenant's exercise of its purchase option, the Improvements shall remain the property of Tenant as the new owner of the Land. Similarly, any Improvements belonging to Tenant and not removed from the Land by the conclusion of the Lease shall revert to the owner of the Land.

9.2 Removal of Personal Property. On or before termination or expiration of this Lease (unless in connection with exercise of the purchase option), Tenant shall cause to be removed its equipment, fixtures and other personal property belonging to Tenant (not including the improvements described in Section 9.1 above) (the "Personal Property"). If Tenant fails to remove any of its Personal Property from the Land at the termination of this Lease or when Landlord has the right of re-entry and possession, Landlord may, at its option, remove and store said property without liability for loss thereof or damage thereto, such storage to be for the account and at the expense of Tenant. If Tenant fails to pay the storage costs after 30 days or more, Landlord may, at its option, sell any or all of such property at public or private sale, in such manner and at such times and places as Landlord, in its sole discretion, may deem appropriate, without notice to Tenant, and shall apply the proceeds of the sale first to the costs of the sale, including attorney's fees, second to the storage costs, third to the payment of any amounts then or thereafter due to Landlord from Tenant under this Lease. The balance, if any, shall be returned to Tenant.

10. ASSIGNMENT OF LEASE

10.1 Assignment. Tenant shall not assign this Lease prior to the completion of construction and receipt of certificates of occupancy for the entire Building, unless earlier assignment is permitted by the City under Section 9.1 of the Development Agreement. After construction, Tenant may not assign this Lease without the prior written consent of Landlord,

which consent shall not be unreasonably withheld. Tenant shall reimburse Landlord for its reasonable out-of-pocket costs incurred in reviewing any request for consent to an assignment; provided that the reimbursement shall not be less than five-hundred dollars (\$500) or more than one-thousand five-hundred dollars (\$1,500). Notwithstanding the foregoing, after construction of Tenant's Improvements is complete and Tenant's development project is fully operational, Landlord shall not refuse consent to an assignment so long as the assignee engages professional property managers to manage Tenant's Building.

10.2 Sublease. Upon completion of construction and receipt of certificates of occupancy for the entire Building, Tenant may sublease portions of the Land in Tenant's discretion. All subleases shall be subject and subordinate to this Lease. If Tenant elects to sublease the entire Land to one subtenant, the sublease shall be subject to Landlord's approval on the same terms as an assignment under Section 10.1 above. No sublease terms may extend beyond the term of this Lease with coextensive options to extend; provided, however, following a termination of the Lease, the sublease shall remain in full force and effect, in which event subtenant shall attorn to Landlord and recognize Landlord as subtenant's landlord under the sublease, upon the terms and conditions and at the rental rate specified in the sublease, and for the then remaining term of the sublease, except Landlord shall not be bound by any provision of the sublease which in any way increases Landlord's duties, obligations or liabilities to subtenant beyond those owed to Tenant under the Lease. Subtenant shall execute and deliver at any time and from time to time upon the request of Landlord, any instruments that may be necessary or appropriate to evidence such attornment. Landlord shall not in any event (i) be liable to subtenant for any act, omission or breach of the sublease by Tenant, (ii) be subject to any offsets or defenses which subtenant might have against Tenant, (iii) be bound by any rent or additional rent which subtenant might have paid in advance to Tenant, or (iv) be bound to honor any rights of subtenant in and to any security or other deposits paid by subtenant pursuant to the Lease except to the extent Tenant has turned over such security or other deposits to Landlord. If Tenant is in default under the terms of the Lease, Landlord shall have the right to take all actions available to Landlord under the Lease and by law, including but not limited to the right to commence an unlawful detainer action against Tenant and subtenant.

11. CASUALTY

11.1 Notice. In the event of any material damage to or destruction of all or any part of the Improvements, Tenant will promptly give written notice thereof to Landlord, which notice shall generally describe the nature and extent of such damage or destruction. There shall be no abatement of or adjustment to any other payments or obligations of Tenant under this Lease as a result of any damage or destruction.

11.2 Restoration. In the event of any damage to or destruction of all or any part of the Improvements and whether or not the insurance proceeds on account of such damage or destruction shall be sufficient for the purpose, Tenant, at its sole cost and expense, shall promptly commence and shall thereafter diligently and continuously prosecute to completion the restoration, replacement or rebuilding of the Improvements (such restoration, replacement or rebuilding,

together with any temporary repairs and property protection, are herein collectively referred to as “**Restoration**”).

11.3 Application of Proceeds. Insurance proceeds received on account of any damage to or destruction of the Improvements or any part thereof shall be applied to pay for the cost of Restoration, subject to lender approval. To the extent any such proceeds exceed the costs of Restoration, Tenant shall retain such excess for Tenant’s account.

12. EMINENT DOMAIN

12.1 Partial Taking. This Lease shall terminate as to the portion of the Improvements so condemned or taken as of the date that title to such portion of the Improvements vests in such condemning authority (*provided, however, that such termination shall not benefit such condemning authority and shall be without prejudice to the rights of either Landlord or Tenant to recover just and adequate compensation from the condemning authority*), and Tenant shall forthwith cause the Improvements to be restored, at Tenant’s sole cost and expense, to as nearly the same architectural condition and character as that which existed prior to such taking. Tenant shall commence such restoration promptly following the taking and shall thereafter diligently and continuously prosecute same to completion. Tenant shall not be entitled to an abatement of any other payments or amounts due to Landlord under this Lease during any such period of restoration but rent shall be abated for the portion of the Premises so condemned or taken based on the square footage taken divided by the total square footage prior to the taking and the resulting percentage is the percentage that rent shall be abated.

12.2 Total Taking. If all Improvements are taken under the power of eminent domain or conveyed in lieu thereof, this Lease shall terminate as of the date that the condemning authority takes possession. The proceeds from the taking of Tenant’s Improvements and Tenant’s leasehold interest shall be the property of Tenant.

13. LEASEHOLD MORTGAGE PROTECTIONS

13.1 Leasehold Mortgage Authorized. Landlord consents to Tenant mortgaging or otherwise encumbering Tenant’s leasehold estate under one or more Leasehold Mortgages (defined in Section 13.3 below), subject to compliance by Tenant with this Section. This Lease may be assigned as security for such Leasehold Mortgage(s). Any Leasehold Mortgage shall contain a statement that disclaims any interest or lien against Landlord’s fee interest in the Land and which provides that Landlord shall have no liability for the obligation secured thereby.

13.2 Notice to Landlord. Tenant shall provide notice to Landlord of any Leasehold Mortgage together with a copy thereof. Upon receipt of such notice and a copy of the Leasehold Mortgage, the provisions of this Section shall apply to such Leasehold Mortgage and Landlord shall promptly acknowledge by an instrument in recordable form (Exhibit C) that Landlord consents to such Leasehold Mortgage in accordance with the provisions of this Section. If a Leasehold Mortgage is assigned or there is a change of address of a Leasehold Mortgagee or assignee, notice of the new name and address shall be provided to Landlord.

13.3 Definitions.

(a) “Leasehold Mortgage” includes a mortgage, a deed of trust, a deed to secure debt, or other security instrument by which Tenant’s leasehold estate is pledged to secure a debt to a Leasehold Mortgagee.

(b) “Leasehold Mortgagee” refers to the holder of a Leasehold Mortgage which Landlord has received notice of in accordance with 13.2.

13.4 Modification of Lease. No cancellation, surrender or modification of this Lease shall be effective as to any Leasehold Mortgagee unless consented to in writing by such Leasehold Mortgagee; provided that nothing in this Section 13.4 shall limit Landlord’s rights to terminate this Lease in accordance with the provisions of this Section 13.

13.5 Default Notice. Landlord, upon providing Tenant any notice of: (i) default under this Lease, or (ii) an intention to terminate this Lease, shall contemporaneously provide a copy of such notice to any Leasehold Mortgagee. From and after such notice has been given, such Leasehold Mortgagee shall have the same period, after the giving of such notice upon it, for remedying any default or causing the same to be remedied, as is given Tenant after the giving of such notice, plus in each instance, the additional periods of time specified in Section 13.6. Landlord shall accept such performance by a Leasehold Mortgagee as if the same had been done by Tenant. Tenant authorizes Leasehold Mortgagee to take any such action at Leasehold Mortgagee’s option and authorizes entry upon the Land by the Leasehold Mortgagee for such purpose.

13.6 Cure by Leasehold Mortgagee.

13.6.1 Opportunity to Cure. Notwithstanding anything contained in this Lease to the contrary, if any default occurs which entitles Landlord to terminate this Lease, Landlord shall not terminate this Lease unless Landlord shall first give notice to any Leasehold Mortgagee, of Landlord’s intent to so terminate at least 60 days in advance of the proposed effective date of such termination, if such default is capable of being cured by the payment of money, and at least 90 days in advance of the proposed effective date of such termination, if such default is not capable of being cured by the payment of money. The provisions of Section 13.6.3 below shall apply if, during such 60 or 90-day termination notice period, a Leasehold Mortgagee:

(i) Notifies Landlord of such Leasehold Mortgagee’s desire to nullify such notice; and

(ii) Pays the Rent and any other monetary obligations then due and in arrears as specified in the termination notice and any monetary obligations which become due during such 60 or 90-day period; and

(iii) Complies with all non-monetary requirements of this Lease then in default and reasonably susceptible of being complied with by such Leasehold Mortgagee (provided that the lack of funds, or the failure or refusal to spend funds, shall not be an excuse for a failure to cure), provided, however that such Leasehold Mortgagee shall not be required to cure any default

consisting of Tenant's failure to satisfy and discharge any lien, charge or encumbrance against the Tenant's interest in this Lease or the Land junior in priority to the lien of the Leasehold Mortgage.

13.6.2 Address for Notice. Any notice to be given by Landlord to a Leasehold Mortgagee shall be deemed properly addressed if sent to the most recent address received by Landlord for that Leasehold Mortgagee.

13.6.3 Stay of Termination. If a Leasehold Mortgagee proceeds in the manner set forth in Section 13.6.1 to cure those defaults it is capable of curing, the termination shall be stayed thereafter for so long as the Leasehold Mortgagee proceeds to acquire or sell Tenant's interest in this Lease by foreclosure of the Leasehold Mortgage or by other appropriate means with reasonable diligence and continuity, or until such earlier time as all defaults of Tenant are cured. Nothing in this Section 13.6.3, however, shall be construed to extend this Lease beyond the original term, nor to require a Leasehold Mortgagee to continue such foreclosure proceedings after all defaults are cured. Once the defaults are cured, this Lease shall continue in full force and effect as if Tenant had not defaulted.

13.6.4 Assignment/Assumption. For the purposes of this Section, the making of Leasehold Mortgage shall not be deemed to constitute a complete assignment or transfer of this Lease or of the leasehold estate hereby created, nor shall any Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of this Lease or of the leasehold estate hereby created. The Leasehold Mortgagee, prior to foreclosure of the Leasehold Mortgage or other entry into possession of the leasehold estate, shall not be obligated to assume the performance of any of the terms, covenants, or conditions on the part of the Tenant to be performed hereunder. The purchaser (including any Leasehold Mortgagee) at foreclosure, or the assignee or transferee in lieu of the foreclosure, of Tenant's leasehold interest (each, a "Transferee") shall be deemed to be an assignee or transferee within the meaning of this Section and shall be deemed to have agreed to perform all of the terms, covenants, and conditions on the part of Tenant to be performed hereunder from and after the date of such purchase and assignment.

13.6.5 Further Assignments. Neither Tenant nor a transferee shall transfer, sell, or assign any rights in this leasehold without compliance with the provisions of this Section 13 with regard to security assignments and without compliance with the provisions of Section 10 regarding all other assignments.

13.7 New Lease. If Leasehold Mortgagee does not elect to exercise its rights under Section 13.6 above after Leasehold Mortgagee's receipt of notice required by Section 13.6.1 above, and if Tenant fails to cure the defaults within the applicable cure period, Landlord shall provide Leasehold Mortgagee with written notice that this Lease has been terminated, together with a statement of all monetary defaults, and of all other defaults, if any, then known to Landlord. Landlord agrees to enter into a new lease ("New Lease") of the Land with such Leasehold Mortgagee for the remainder of the term of this Lease, effective as of the date of termination of this Lease, at the Rent and additional rent, if any, and upon the terms, covenants, and conditions (including all escalations of Rent, but excluding requirements which are not applicable or which have already been fulfilled) of this Lease, provided:

(a) Such Leasehold Mortgagee shall make written request to Landlord for such New Lease within 60 days after the date such Leasehold Mortgagee receives Landlord's notice of termination pursuant to this Section 13.7.

(b) Such Leasehold Mortgagee shall pay or cause to be paid to Landlord, at the time of execution and delivery of such New Lease the amount of the monetary defaults (including any additional sums which would at the time of execution and delivery thereof be due pursuant to this Lease but for such termination) and, in addition thereto, all reasonable expenses which Landlord incurred by reason of such termination and which have not otherwise been received by Landlord. Upon execution of such New Lease, Landlord shall allow an offset against the sums otherwise due under this Section 13.7 or under the New Lease, equal to any net income derived by Landlord from the Land during the period from the date of termination of this Lease to the date of the beginning of the lease term of such New Lease. In the event of a controversy as to the amount to be paid to Landlord pursuant to this Section 13.7, the payment obligation shall be satisfied if Landlord is paid the amount not in controversy, and the Leasehold Mortgagee or its designee agrees to pay any additional sum ultimately determined to be payable, plus interest as allowed by law.

(c) Such Leasehold Mortgagee or its designee shall agree to remedy any of Tenant's defaults of which said Leasehold Mortgagee was notified by the notice of termination and which are reasonably susceptible of being cured by Leasehold Mortgagee (provided that the lack of funds, or the failure or the refusal to spend funds, shall not be an excuse for a failure to cure).

13.8 Leasehold Mortgagee Need Not Cure Specified Default. Nothing herein contained shall require any Leasehold Mortgagee or its designee as a condition to its exercise of its rights hereunder to cure any default of Tenant not reasonably susceptible of being cured by such Leasehold Mortgagee or its designee (provided that the lack of funds, or the failure or the refusal to spend such funds, shall not be an excuse for a failure to cure), including but not limited to a default referred to in Section 14.3 below, in order to comply with the provisions of Section 13.6, or as a condition of entering into a New Lease provided for by Section 13.7.

13.9 Eminent Domain. Tenant's share, as provided by Section 12 of this Lease, of the proceeds arising from an exercise of the power of eminent domain shall, subject to the provisions of Section 12, be paid in accordance with the provisions of any Leasehold Mortgage.

13.10 Insurance. A standard mortgagee clause naming each Leasehold Mortgagee may be added to any and all insurance policies required to be carried by Tenant hereunder and the Leasehold Mortgage shall so provide.

13.11 Legal Proceedings. Landlord shall give each Leasehold Mortgagee prompt notice of any legal proceedings between Landlord and Tenant involving this Lease. Each Leasehold Mortgagee shall have the right to intervene in any such proceedings and be made a party to such proceedings, and the parties hereto do consent to such intervention. If a Leasehold Mortgagee does not elect to intervene or become a party to any such proceedings, Landlord shall give the Leasehold Mortgagee notice of, and a copy of any award or decision made in any such proceedings, which shall be binding on all Leasehold Mortgagees not intervening after receipt of notice of the proceeding. If a Leasehold Mortgagee commences any judicial or non-judicial action to foreclose its Leasehold Mortgage or otherwise realize upon its security granted therein, written notice of such proceedings shall be provided to Landlord at the same time notice thereof is given to Tenant.

13.12 No Merger. So long as any Leasehold Mortgage is in existence, unless the Leasehold Mortgagee otherwise consents in writing, the fee title to the Land and the leasehold

estate of Tenant therein created by this Lease shall not merge but shall remain separate and distinct, notwithstanding the acquisition of said fee title and said leasehold estate by Landlord or by Tenant or by a third party, by purchase or otherwise. The foregoing shall not apply in the event of termination of this Lease after default by Tenant, provided that no Leasehold Mortgagee shall have requested and been granted a New Lease pursuant to the provisions of Section 13.7 above.

13.13 Estoppel Certificate. Landlord shall, without charge, any time and from time to time hereafter, within ten days after written request of Tenant to do so, certify by written instrument duly executed and acknowledged to any Leasehold Mortgagee or purchaser, or proposed Leasehold Mortgagee or proposed purchaser, or any other person, firm or corporation specified in such request: (a) whether this Lease has been supplemented or amended, and if so, the substance and manner of such supplement or amendment; (b) whether this Lease remains in full force and effect; (c) as to the existence of any default hereunder; (d) the commencement and expiration dates of this Lease; and (e) any other information reasonably requested.

13.14 Notices. Notices from Landlord to the Leasehold Mortgagee shall be mailed to the address furnished to Landlord pursuant to Section 13.2 above and, those from the Leasehold Mortgagee to Landlord shall be mailed to the address designated pursuant to the provisions of Section 18.4 below. Such notices, demands and requests shall be given in the manner described in Section 18.4 below, and shall in all respects be governed by the provisions of that section.

13.15 Additional Leasehold Mortgage Protections. The Project Managers will work together to make any minor modifications to this Section 13 required to obtain financing for the Project.

14. DEFAULT

14.1 Monetary Default. Failure to pay rent by the 10th day of each month shall constitute a default under the terms of this Lease. Subject to the provisions of Section 13, if default in the payment of rent occurs, then at Landlord's sole option, upon 20 days written notice, and further upon Tenant's failure to cure said default within ten (10) days of receipt of Landlord's notice, this Lease may be terminated and Landlord may enter upon and take possession of the Land and Tenant's Improvements. This remedy is in addition to and is not exclusive of any other remedies provided either by this Lease or by law.

14.2 Non-Monetary Default. If Tenant shall fail to perform any term or condition of this Lease or any other Transaction Document, other than the payment of rent, then Landlord, subject to the provisions of Section 13, upon providing Tenant 30 days written notice of such default and opportunity to cure, may terminate this Lease and enter upon and take possession of the Land and Tenant's Building. This remedy is in addition to and is not exclusive of any other remedies provided either by this Lease or by law.

14.3 Insolvency. The following shall also constitute default under the terms of this Lease: insolvency of Tenant; the filing by Tenant of a voluntary petition in bankruptcy, unless such filing is a Chapter 11 reorganization filing and the trustee in bankruptcy makes "adequate assurances of future performance" as that term is used in the bankruptcy law, for continued payments on the Lease and observation of all the terms and conditions of this Lease; an adjudication that Tenant is bankrupt; the appointment of a receiver of the properties of Tenant which is not dismissed within 90 days; the filing of an involuntary petition of bankruptcy and

failure of Tenant to secure a dismissal of the petition within ninety (90) days after filing and further it is not a reorganization under Chapter 11 of the bankruptcy statutes as set forth above; and attachment of or the levying of execution on the leasehold interest; and failure of Tenant to secure discharge of the attachment or release of the levy of execution within sixty (60) days.

14.4 Non-Waiver. Neither the acceptance of Rent nor any other act or omission of Landlord or Tenant after a default by the other shall operate as a waiver of any past or future default by the other party, or to deprive Landlord of its right to terminate this Lease, or be construed to prevent either party from promptly exercising any other right or remedy it has under this Lease.

15. PURCHASE OPTION AND RIGHT OF FIRST REFUSAL

15.1 Purchase Option. Landlord grants Tenant an option to purchase the Land during the first fifteen years after the date of execution of this Lease for Two Million One Hundred Thirty-Seven Thousand Five Hundred Dollars (\$2,137,500) (the amount Landlord paid to acquire the Land) less all cumulative previously paid Lease rental payments, not including Leasehold Excise Tax, . The grant of this option is null and void if Tenant is in material default under any of the Transaction Documents and has not been able to cure such material default following the applicable cure period and notice from Landlord.

In addition, Landlord grants Tenant an option to purchase the Land during year sixteen (16) through twenty-five (25). The purchase price for the Land shall be the then fair market value of the Land, excluding any of the Improvements (as determined by MAI appraisal) performed by a mutually agreed upon appraiser immediately upon Tenant's written notice to Landlord. The appraiser shall be selected jointly by Landlord and Tenant. If Landlord and Tenant cannot agree on an appraiser within fifteen (15) days after written notice from either party, then each party will select an appraiser, and the two appraisers shall try to reach agreement on value. If they do agree, the resulting amount will be the purchase price and each party will pay the cost of its appraiser. If they do not agree, the two appraisers will jointly pick a third appraiser and the third appraiser shall choose either the final value figure given by Landlord's appraiser or the final value figure given by Tenant's appraiser (i.e., no splitting the difference). Landlord and Tenant shall each pay half the cost of the third appraiser. Tenant shall have fifteen (15) days after determination of the final purchase price to withdraw exercise of the purchase option by notice to Landlord, but if Tenant withdraws its exercise of the right of first refusal, Tenant shall pay all the appraisal fees. Each appraiser must have MAI certification and must have at least ten (10) years' experience appraising similar properties in Washington.

The options shall be exercisable by written notice to Landlord. If Tenant exercises the option, closing shall occur within one hundred twenty (120) days thereafter, with the purchase price paid in cash at closing. Landlord and Tenant shall each pay half of the escrow fee and any similar closing costs. Any transfer tax shall be paid by Landlord as seller, in accordance with the statute, unless, as currently, there is an applicable exemption. Tenant shall pay all financing costs. Title shall be conveyed by Quitclaim Deed free of any monetary liens and free of any encumbrances not on the title on the date of this Lease other than (a) those encumbrances set forth on Exhibit B, if any, and (b) those arising through Tenant. Landlord shall pay for a standard coverage title insurance policy for Tenant and Tenant shall pay the additional premium for extended coverage if requested by Tenant. The title insurance company shall be selected by Tenant and shall also provide escrow services on the transfer.

15.2 Right of First Refusal

In addition, Landlord grants Tenant a right of first refusal beginning in year twenty-five of the Lease and continuing for the term of the Lease. Within twenty (20) days of Landlord's receipt of a written offer from a prospective purchaser of the Land, Landlord shall notify Tenant in writing of such offer. Tenant shall have forty-five (45) days to exercise its right of first refusal by sending Landlord written notification of its intent to exercise such right. The purchase price for the Land shall be the then fair market value of the Land, excluding any of the Improvements (as determined by MAI appraisal) performed by a mutually agreed upon appraiser immediately upon Tenant's written notice to Landlord. The appraiser shall be selected jointly by Landlord and Tenant. If Landlord and Tenant cannot agree on an appraiser within fifteen (15) days after written notice from either party, then each party will select an appraiser, and the two appraisers shall try to reach agreement on value. If they do agree, the resulting amount will be the purchase price and each party will pay the cost of its appraiser. If they do not agree, the two appraisers will jointly pick a third appraiser and the third appraiser shall choose either the final value figure given by Landlord's appraiser or the final value figure given by Tenant's appraiser (i.e., no splitting the difference). Landlord and Tenant shall each pay half the cost of the third appraiser. Tenant shall have fifteen (15) days after determination of the final purchase price to withdraw exercise of the right of first refusal by notice to Landlord, but if Tenant withdraws its exercise of the right of first refusal, Tenant shall pay all the appraisal fees. Each appraiser must have MAI certification and must have at least ten (10) years' experience appraising similar properties in Washington.

The right of first refusal shall be exercisable by written notice to Landlord. If Tenant exercises the right of first refusal, closing shall occur within 120 days thereafter, with the purchase price paid in cash at closing. Landlord and Tenant shall each pay half of the escrow fee and any similar closing costs. Any transfer tax shall be paid by Landlord as seller, in accordance with the statute, unless, as currently, there is an applicable exemption. Tenant shall pay all financing costs. Title shall be conveyed by Quitclaim Deed free of any monetary liens and free of any encumbrances not on the title on the date of this Lease other than (a) those encumbrances set forth on Exhibit B, if any and (b) those arising through Tenant. Landlord shall pay for a standard coverage title insurance policy for Tenant and Tenant shall pay the additional premium for extended coverage if requested by Tenant. The title insurance company shall be selected by Tenant and shall also provide escrow services on the transfer.

15.3 Offering Land for Sale. After year twenty-five (25), nothing in this section prohibits the City from advertising the Land for sale or from listing the Land with a broker.

16. ARBITRATION.

In the event of any dispute arising between the parties to this Lease, any such dispute shall be submitted to binding arbitration as provided herein. The parties shall select an independent and unbiased arbitrator who is not affiliated directly or indirectly with either party within ten days after any party demands arbitration. If the parties fail to select, or cannot agree upon, an arbitrator within this time, then either party may apply to the Superior Court of Whatcom County pursuant to RCW 7.04 et seq. for an order appointing an arbitrator. Such application may be made at any time after the ten-day period has expired. Upon application to the court for an arbitrator, the Court shall select an arbitrator, who shall render his/her decision no later than sixty (60) days after his/her appointment. If the arbitrator requests a hearing prior to rendering his/her decision, such hearing shall be held in Whatcom County, Washington within thirty (30) days of

the arbitrator's appointment. The arbitrator's decision shall be binding on both parties. Each party shall bear its own expenses associated with the arbitration but shall share equally the costs of the arbitrator.

17. DISPUTE RESOLUTION.

Prior to submitting a matter to arbitration in accordance with the preceding section, the parties shall first attempt to resolve the dispute informally in accordance with this section. In the event a dispute arises, the complaining party shall deliver notice of the matter in dispute to the other party at the address and in the manner provided for in Section 18.4 hereof. Each party shall thereafter promptly designate a representative to address the matter, which representatives shall attempt, in good faith, to resolve the disputed matter. In the event the designated representatives are unable, despite their good faith efforts, to resolve the disputed matter within fifteen days of the initial notice thereof, then, and in that event, either party may submit the matter to arbitration in accordance with the preceding section

18. MISCELLANEOUS PROVISIONS

18.1 Laws and Regulations. Tenant agrees to conform to and abide by all lawful rules, codes, laws and regulations in connection with its use of the Land and the construction of Tenant's Improvements and operation of Tenant's business thereon and not to permit the Land to be used in violation of any lawful rule, code, law, regulation or other authority. Tenant's obligations herein shall include, but in no way be limited to, the obligation to comply with all state and federal environmental laws and regulations with regard to Tenant's Building. Tenant covenants and agrees that it will indemnify and hold harmless Landlord from any fine, penalty, or damage which may be imposed by any lawful authority, which may arise as a result of Tenant's failure to comply with the obligations of this paragraph Landlord covenants and agrees that it will indemnify and hold harmless Tenant from any fine, penalty, or damage which may be imposed by any lawful authority, which may arise as a result of Landlord's failure to comply with the obligations of this paragraph.

18.2 Litigation. If either party (the "first party") shall be made a party to any litigation against the other party (the "second party"), the second party agrees to pay all costs, expert witness fees, and attorney's fees, including all customary charges, incurred by the first party in connection with such litigation. However, if the second party is made a party defendant and the first party undertakes the defense of the action on behalf of the first party, then no obligation for costs and attorney's fees will be chargeable against the second party by the first party for costs arising out of such undertaking. Each party also agrees to pay all costs and attorney's fees incurred by the other party in enforcing any of the covenants, agreements, terms and provisions of this Lease. Notwithstanding the above paragraph, Landlord and Tenant agree that in any litigation between them reasonable attorney's fees and costs shall only be awarded to the prevailing party.

18.3 Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of Washington and any action to enforce the provisions hereof shall be laid in Whatcom County, Washington.

18.4 Notices. Any notice, demand, request, consent, approval or communication that either party desires or is required to give to the other party shall be in writing addressed to the other party at the addresses as follows:

<p>To Landlord:</p> <p>City of Bellingham Planning & Community Development Department 210 Lottie Street Bellingham, WA 98225 Attn: Tara Sundin (360) 778-8300</p> <p>With a copy to:</p> <p>Office of the City Attorney City of Bellingham 210 Lottie Street Bellingham, WA 98225 Attn: Amy Kraham (360) 778-8270</p>	<p>To Tenant:</p> <p>URBAN STRATEGIES, LLC Attn: Jeff Kochman PO Box 30008 Bellingham, WA 98228</p> <p>URBAN STRATEGIES, LLC Attn: Jeff McClure 1223 Railroad Avenue Bellingham, WA 98225</p>
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or such address as may have been specified by notifying the other party of the change of address. Notice shall be deemed served on the date of actual delivery or the first attempted delivery as shown on the return receipt it mailed with the United States Postal Service by certified mail, return receipt requested.

18.5 Agent for Service. Tenant agrees that, if Tenant is in unlawful detainer pursuant to RCW 59.12, and Landlord is unable to serve Tenant with the unlawful detainer pleadings after one service attempt, then Landlord will be deemed to have complied with the service requirements of RCW 59.12 if it mails such pleadings via certified mail to the address set forth in the notice section of this Lease and posts such pleadings in a conspicuous location on the Land. Service shall be deemed complete on the third day following the day of posting or day of mailing, whichever is later.

18.6 Quiet Enjoyment. Landlord acknowledges that it has ownership of the Land and that it has the legal authority to lease the Land to Tenant and to grant exclusive possession to Tenant. Landlord covenants that Tenant’s right of occupancy shall not be disturbed during the term of this Lease so long as the terms are complied with by Tenant.

18.7 Landlord May Enter Land. Subject to the rights of occupants of Tenant’s Building, duly authorized officers or agents of Landlord may enter to view the Land at reasonable times and following reasonable notice being no less than forty-eight (48) hour prior written notice except in the case of a bona fide emergency.

18.8 Time. It is mutually agreed and understood that time is of the essence of this Lease and that a waiver of any default by any party shall not be construed as a waiver of any other default.

18.9 Interpretation. In any dispute between the parties, the language of this Lease shall in all cases be construed as a whole according to its fair meaning and not for or against either Landlord or Tenant. If any provision is found to be ambiguous, the language shall not be construed

against either Landlord or Tenant solely on the basis of which party drafted the provision. If any word, clause, sentence, or combination thereof for any reason is declared by a court of law or equity to be invalid or unenforceable against one party or the other, then such finding shall in no way affect the remaining provisions of this Lease.

18.10 Holding Over. If Tenant remains in possession of the Land after the expiration of this Lease, with the written consent of Landlord, it is hereby agreed and understood that until such time as a new agreement in writing shall be entered into between the parties thereto, Tenant shall continue to make payments to Landlord on a month-to-month basis as provided for in this Lease. Said holdover tenancy may be terminated by either party at the end of any such monthly period by sending written notice not less than thirty days before the end of such period. Said holding over shall be subject to approval of Landlord.

18.11 Survival. Subject to Section 13, all obligations of Tenant as provided for in the Lease applicable to the periods prior to the termination shall not cease upon the termination of this Lease and shall continue as obligations until fully performed. All clauses of this Lease which require performance beyond the termination date shall survive the termination date of this Lease.

18.12 Entire Agreement. The Transaction Documents contain all of the understandings between the parties. Each party represents that no promises, representations, or commitments have been made by the other as a basis for this agreement, which have not been reduced to writing herein. No oral promises or representations shall be binding upon either party, whether made in the past or to be made in the future, unless such promises or representations are reduced to writing in the form of a modification to this Lease executed with all necessary legal formalities.

18.13 Memorandum of Lease. The parties shall record a Memorandum of this Lease (Exhibit D), including reference to the purchase option.

18.14 Force Majeure. Time periods for Tenant's performance under any provisions of this Lease (except for payment of money) shall be extended for periods of time during which the non-performing party's performance is prevented due to the following: an act of God or public enemy; fire; storm; wind; flood; seismic sea wave; tsunami; earthquake; epidemic; explosion; volcanic eruption; lightning; continuous loss of power or other utilities for more than thirty days; nuclear radiation; geological or archaeological condition; quarantine restrictions; riot or public discord; act of terrorism; criminal damage; the suspension of the national or state banking system due to financial crises; a union strike.

18.15 Due Authorization and Execution. Tenant has the requisite power and authority to execute and perform the Transaction Documents; the execution, delivery and performance of the Transaction Documents have been duly authorized by all requisite actions of Tenant; the Transaction Documents constitute valid, binding, and enforceable obligations of Tenant (subject to the terms and conditions contained therein); and neither the execution of the Transaction Documents nor the consummation of the transactions contemplated thereby violates any agreement (including Tenant's organizational documents), contract or other restriction to which Tenant is a party or is bound. Tenant's representations and warranties contained in this Section shall continue to apply in full force and effect throughout the term of the Lease as if made continuously during the term of the Lease.

19. PERFORMANCE OBLIGATIONS

The obligations of Tenant hereunder are conditioned upon the satisfaction or waiver of the conditions set forth in the Development Agreement.

CITY OF BELLINGHAM:

Mayor

Attest:

Finance Director

Approved as to Form:

Office of the City Attorney

URBAN STRATEGIES, LLC:

By _____
[Name of signatory]

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this _____ day of _____, 2018, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared _____, known to me to be the _____ of **URBAN STRATEGIES, LLC**, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.

Signature

Print Name
NOTARY PUBLIC in and for the State of
Washington, residing at _____
My commission expires _____

EXHIBIT A

LEGAL DESCRIPTION

The Southwesterly 9 inches of Lot 3, and all of Lots 4, 5, and 6, Block 44, "Map of the Town of New Whatcom, Whatcom County, W.T. 1883," now a part of the consolidated City of Bellingham, Whatcom County, Washington, according to the plat thereof, recorded in Volume 1 of Plats, page 24, records of Whatcom County, Washington. Situate in Whatcom County, Washington.

EXHIBIT B
PERMITTED ENCUMBRANCES [PENDING TITLE REPORT]

**EXHIBIT C
LANDLORD’S CONSENT**

Recorded at the Request of
and after recording return to:
Amy Kraham
City of Bellingham
210 Lottie Street
Bellingham, WA 98225

Legal Description (abbreviated): New Whatcom SW 9 Inches of Lot 3-Lots 4-5-6, Blk 44,
Situating in Whatcom County, WA
Complete legal description(s) are on page(s) ___ of this document.
Assessor’s Tax Parcel ID#: 380330-195136-0000

LANDLORD’S CONSENT

This LANDLORD’S CONSENT (this “Consent”) is given as of _____, 2018, by
CITY OF BELLINGHAM, a first-class city of the State of Washington (“Landlord”) to
_____, **LLC**, a Washington limited liability company (“Leasehold Mortgagee”).

Landlord and _____, **LLC** (“Tenant”) are parties to that certain Lease
dated _____ (the “Lease”) regarding the property described on Exhibit A (the
“Property”). Leasehold Mortgagee is the beneficiary under that certain Deed of Trust dated
_____ and recorded in the real property records of Whatcom County under Auditor’s
File No. _____ (the “Leasehold Mortgage”) against Tenant’s interest in the Lease and
Tenant’s interest in the Improvements to the Land constructed by Tenant.

Landlord hereby consents to the Leasehold Mortgage pursuant to Section 13 of the Lease.

CITY OF BELLINGHAM:

Mayor

Attest:

Finance Director

Approved as to Form:

Office of the City Attorney

URBAN STRATEGIES, LLC:

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this _____ day of _____, 2018, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared _____, known to me to be the _____ of _____ **URBAN STRATEGIES, LLC**, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.

Signature

Print Name

NOTARY PUBLIC in and for the State of
Washington, residing at _____

My commission expires _____

EXHIBIT A TO LANDLORD'S CONSENT

LEGAL DESCRIPTION

The Southwesterly 9 inches of Lot 3, and all of Lots 4, 5, and 6, Block 44, "Map of the Town of New Whatcom, Whatcom County, W.T. 1883," now a part of the consolidated City of Bellingham, Whatcom County, Washington, according to the plat thereof, recorded in Volume 1 of Plats, page 24, records of Whatcom County, Washington. Situate in Whatcom County, Washington.

EXHIBIT D
MEMORANDUM OF LEASE

Recorded at the Request of
and after recording return to:
Amy Kraham
City of Bellingham
210 Lottie Street
Bellingham, WA 98225

Legal Description (abbreviated): New Whatcom SW 9 Inches of Lot 3-Lots 4-5-6, Blk 44,
Situated in Whatcom County, WA
Complete legal description(s) are on page(s) ___ of this document.
Assessor's Tax Parcel ID#: 380330-195136-0000

MEMORANDUM OF LEASE

This MEMORANDUM OF LEASE (this "Memorandum") is made as of _____,
2018, by and between **CITY OF BELLINGHAM**, a first-class city of the State of Washington
("Landlord") and **URBAN STRATEGIES, LLC.**, a Washington limited liability company
("Tenant"), as a memorandum of an unrecorded Lease (the "Lease") dated
_____, 2018, between Landlord and Tenant concerning the real property
described on **Exhibit A**.

1. **Lease.** Landlord leases to Tenant and Tenant leases from Landlord all of Landlord's right,
title and interest in the Land upon the terms, covenants and conditions set forth in the Lease, which
provisions are hereby incorporated into this Memorandum by reference as if fully set forth herein.
Capitalized items not herein defined shall have the meanings ascribed to them in the Lease.

2. **Term.** The initial term of the Lease commenced on the ___ day of _____, 2018 and
shall continue until the ___ day of _____, 20__.

3. **Options to Extend.** Tenant has three (3) ten-year options to extend the Lease term. Said
options shall be exercised in the manner provided in and in accordance with and subject to the
provisions of the Lease.

4. **Option to Purchase.** Tenant has an option and a right of first refusal to purchase the
Property as set forth in Section 15 of the Lease.

5. **Interpretation.** This Memorandum is not a complete summary of the Lease. Provisions
in this Memorandum shall not be used in interpreting the Lease provisions. In the event of conflict
between the Memorandum and the unrecorded Lease, the unrecorded Lease shall control.

CITY OF BELLINGHAM:

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this _____ day of _____, 2018, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared _____, known to me to be the _____ of _____ **URBAN STRATEGIES, LLC**, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

I certify that I know or have satisfactory evidence that the person appearing before me and making this acknowledgment is the person whose true signature appears on this document.

WITNESS my hand and official seal hereto affixed the day and year in the certificate above written.

Signature

Print Name

NOTARY PUBLIC in and for the State of
Washington, residing at _____

My commission expires _____

EXHIBIT A TO MEMORANDUM OF LEASE

LEGAL DESCRIPTION

The Southwesterly 9 inches of Lot 3, and all of Lots 4, 5, and 6, Block 44, "Map of the Town of New Whatcom, Whatcom County, W.T. 1883," now a part of the consolidated City of Bellingham, Whatcom County, Washington, according to the plat thereof, recorded in Volume 1 of Plats, page 24, records of Whatcom County, Washington. Situate in Whatcom County, Washington.