

MELROSE TERRACE, INC.
PROPRIETARY LEASE

Please note: This is a sample copy of the Proprietary Lease and is provided for informational purposes. This is not the copy that will be signed and notarized at closing.

This Lease is made by and between MELROSE TERRACE, INC., a Cooperative Association organized under the laws of the State of Washington to construct and operate an apartment house and associated facilities on the cooperative plan (hereinafter called the "Cooperative"), and the undersigned owner of shares in the Cooperative (hereinafter called the "Shareholder").

The Cooperative has constructed an apartment house on the following described real property situated in Seattle, King County, Washington:

Lots 3, 4, 5, 6 and 7 in Block 32, of Supplementary plat of Pontius Second Addition to Seattle, as per plat recorded in Volume 5 of Plats on page 76, records of King County, Washington.

This Lease shall be subject to all existing mortgages and other loan agreements, and to any modifications, extensions or renewals thereof, and to any other mortgages or loan agreements.

Section 1. Term of Lease. The Cooperative hereby leases to the Shareholder, and the Shareholder hereby leases from the Cooperative, Apartment 503 the apartment house above-referred to storage space 97 and subject to Section 3 below, parking space to be assigned. The term of this Lease shall begin on its effective date and end on the 31st day of May 2060

Section 2. Amount of Time of Payment. The Shareholder shall make a monthly payment to the Cooperative of \$387.00 from the commencement date until such time as the Board of Directors shall establish a different monthly payment based upon estimated annual expenses, in the manner provided in this section. If the commencement date does not fall on the first day of the month, the Shareholder shall make payment covering the unexpired balance of the month and thereafter he shall make the monthly payment in advance on the first day of each month for the term of this Lease unless the Board of Directors by resolution establishes some other day of payment and furnishes the Shareholder reasonable written notice thereof.

Prior to the commencement of each fiscal year, the Board of Directors shall establish a budget showing the estimated expenses and income for such year. Such expenses shall include the following and such other costs of operating the apartment house and related facilities and furnishing all services hereunder as may be approved by the Board of Directors; principal and interest payments on the mortgages, and any outstanding debt; taxes and assessments; insurance, heat, utility and other services; repairs, maintenance and replacements; depreciation on furniture, furnishings and other personal property of the Cooperative; replenishment of working capital as

provided in Section 4 hereof; any deficiency for any prior period with respect to any expense item. Each Shareholder shall pay a proportion of such expenses in the ratio that the assigned capital cost of his apartment as determined by the Board of Directors, bears to the assigned capital cost of all apartments covered at any time by Proprietary Leases substantially in the form hereof before any credit for payment provided for in Section 5. The Board of Directors shall establish the monthly payment as 1/12th of such amount, as nearly as practicable, and shall furnish each Shareholder written notice as to what such amount is, not less than 30 days before first payment becomes due in any fiscal year; provided, that failure to furnish such notice in time shall not affect the liability of the Shareholder as so determined. The Board's determination of the monthly payment shall be conclusive on the Shareholder if made in good faith.

Section 3. Use and Enjoyment of Apartment by Shareholder; Garage. In return for the Shareholder's continued performance of all other covenants in the Lease, the Cooperative covenants that the Shareholder may have the apartment above mentioned for his sole use and occupancy after obtaining occupancy. Unless written approval is obtained from the Board of Directors, such use and occupancy shall be for dwelling purposes only by the Shareholder, persons in his immediate family, heirs, assignees or sublessees complying with Section 13 thereof. The Shareholder may also enjoy, in common with all other Shareholders of the Cooperative, the social rooms, sun porch on the roof and any and all other facilities associated with the apartment house which may be made available at any time by the Cooperative to any of its Shareholders.

If a resident Shareholder owns an automobile and desires a parking space, upon proper application to the Board of Directors the Cooperative will rent of its parking spaces, one space per apartment, on a "space available" basis, for such reasonable monthly rental fee as may be fixed from time to time the Directors. The Shareholder may occupy the assigned space on a month-to-month basis, but only while a bona fide resident of the Melrose Terrace building. Assignment of parking space shall be made only by the Board of Directors; the Shareholder shall not sublet assigned parking spaces. So long as the Shareholder pays the monthly parking rental fee, continues to occupy the assigned space with his or her vehicle, is a bona fide resident of the building, and complies with all the terms of this Lease, the Directors shall not terminate the Shareholder's parking space assignment.

Section 4. Working Capital; Patronage Refund. Within ninety (90) days after the close of each fiscal year, the Directors shall review the preceding year's operations, provided for retention of reasonable working capital as of the end of the preceding year, and after setting aside reasonable specified surplus or reserve funds, the Board shall refund to each Shareholder, or credit against any sums otherwise payable by him hereunder, any excess funds collected by the Cooperative during the preceding year. Such refund or credit shall be made to each Shareholder in the proportion that the assigned capital cost of his apartment, specified above, bears to the assigned capital cost of all apartments covered at any time by proprietary leases executed in substantially the form hereof; before credit for prepayment under Section 5 in each case.

Section 5. Optional Prepayment of Additional Contributed Capital and Reduction of Monthly Payment. The Shareholder in any year may pay to the Cooperative contributed capital in addition to that paid pursuant to Section 2 hereof, in an amount not less than \$1,000.00 in any single payment. The Cooperative agrees that it will apply any such prepayment in reduction of any outstanding mortgage, or other indebtedness. The Board of Directors will take reasonable steps to afford all Shareholders equal opportunity to make such prepayments within the limits permitted in any outstanding mortgage, or other loan agreement. The Cooperative upon accepting such prepayment shall credit against the monthly payment otherwise required to be made by the Shareholder an amount calculated to pass on to him the reduction in required cash outlay of the Cooperative on its mortgages resulting from such prepayment, all as provided in the Terms of Prepayment to be adopted by the Board and kept available at the office of the Cooperative for reference by the Shareholder.

Section 6. Management, Taxes and Insurance. The Cooperative shall provide any necessary management and shall cause the apartment house to be maintained and operated and kept in a good state of repair. The Cooperative shall pay or provide for the payment of all taxes of any kind and all assessments levied against the apartment house, and shall procure and pay or provide for the payment of fire insurance on the apartment house adequate to protect the Shareholder's interest and other insurance as required by any mortgage on the property, and such other insurance as the Board of Directors may from time to time decide upon.

Section 7. Utilities; Appliances. The Cooperative will provide water without extra charge and will make electricity available, to be metered to and paid for by the Shareholder. The Cooperative will install in the kitchen of each apartment a refrigerator, dishwasher, electric range and a garbage disposal unit. The Shareholder at his own expense shall maintain such appliances, keep each in a good state of repair and replace each when necessary. Any such repair, maintenance or replacement shall conform with reasonable standards, as stated in rules to be formulated by the Board of Directors. The Cooperative will make available for use by the Shareholder suitable laundry equipment; the Shareholder will for this on a usage basis, as provided by rule of the Board of the Cooperative.

Section 8. Repairs; Maintenance; Redecorating. The Shareholder shall provide and pay for all necessary repairs, maintenance or replacements to the apartment, including, but not limited to repair, maintenance and replacement of the appliances referred to in the preceding paragraph; repairs, maintenance and replacements necessitated by the Shareholder's use of the apartment, or by Shareholder's negligence or misuse; and redecorating of the apartment. The Cooperative at its expense shall provide for all repairs, maintenance and replacement not covered by the foregoing. The Shareholder shall cause the apartment to be redecorated from time to time in accordance with reasonable standards to be established by rule of the Board of Directors. In case that Shareholder shall fail to effect any repair, maintenance or replacement or shall fail to redecorate his apartment as provided herein, the Cooperative may give the Shareholder 30 days' written notice to do so. If the Shareholder fails to do so within such time, the Cooperative may

cause such repairs, maintenance or redecoration to be accomplished, pay for the same, and charge the cost thereof to the Shareholder's next monthly payment hereunder.

Section 9. Alterations and Additions. The Shareholder shall not make any structural alteration in the premises or in the fixtures therein, or remove any of the foregoing without the written consent of the Cooperative.

Section 10. Inspection of Apartment. The Shareholder agrees that the representative of any mortgagee holding a mortgage on the property of the Cooperative, and the officers and employees of the Cooperative, shall have the right, after reasonable notice to the Shareholder, to enter the apartment and make inspections thereof at any reasonable time.

Section 11. Effect of Fire Loss. The Cooperative shall keep the apartment house insured continuously with an insurance company regularly transacting business in the State of Washington. In the event of loss or damage by fire or other casualty to the apartment covered hereby, the Cooperative shall determine whether to restore the damaged premises (including appliances) and in the event such premises are not restored, shall redeem at par and reimburse him for such damage to the premises as he may have sustained up to the amount realized by the Cooperative from any insurance policy covering the loss. If the Cooperative determines to restore the premises, the monthly payments shall abate wholly or partially, as determined by the Cooperative, until the premises have been restored. If the Cooperative determines not to restore the premises, the monthly payments of the Shareholder shall cease from the date of such loss or damage.

Section 12. Compliance with Covenants, By-laws, Etc. The Shareholder covenants that he will comply with the By-laws of the Cooperative, and with any reasonable rule adopted by the Board of Directors from time to time. If any monthly payment shall be due and unpaid, or if default shall be made in any of the covenants herein contained, or if the Shareholder shall fail to comply with the By-laws of the Cooperative, and with any reasonable rule adopted by its Board of Directors, the Cooperative shall give the Shareholder thirty (30) days' written notice within which to correct the deficiency and if the Shareholder fails to do so, the Cooperative may, in addition to other remedies, terminate this Lease forthwith, cancel the share, re-enter the premises and remove all persons therefrom. In such event the Cooperative will pay over to the ousted Shareholder the initially contributed capital paid to it by the new Shareholder who leases the retiring Shareholder's apartment, less reasonable costs and any amount which may be owing to the Cooperative by the retiring Shareholder, together with interest at six percent (6%) per annum on said amounts owing to the Cooperative; such payment shall be in full satisfaction of any and all claims of the Shareholder under this Lease. In case that the Board of Directors deems it necessary to institute any legal proceeding in connection with the enforcement of this Lease, the Shareholder agrees that he will pay a reasonable attorneys' fee in addition to the costs otherwise taxable.

Section 13. Prohibition on Assignment or Subletting. Except as specifically authorized by this Section or Section 14 of this Lease, a Shareholder may not assign this Lease nor sublet his or her apartment or license parties other than himself or herself to occupy said apartment.

Notwithstanding this prohibition, a Shareholder may assign this Lease to a Lender together with his or her interest in his or her shares in Melrose Terrace, Inc. to secure a loan for the purchase of such shares. In such event, if such a Lender obtains possession of that unit through foreclosure or relinquishment, and if the unit is not marketable because of economic conditions, the Lender may sublet the unit for a period not to exceed three years with the consent of the Cooperative. The Cooperative may withhold consent to the Lender's sublessee on such terms and conditions as it may withhold consent to the purchase of a unit. The Lender shall assign to the Cooperative so much of the monthly payments under any sublease as may be necessary to cover the Lender's monthly payments to the Cooperative, and the Cooperative shall apply such payments in reduction of the amounts otherwise owing by the Lender. Any sublease shall be in a form satisfactory to the Cooperative.

The Shareholder covenants to save the Cooperative harmless from any consequence of the refusal by the Cooperative to permit any purported assignee of sublessee to occupy the apartment under any purported assignment or sublease executed in violation of this section. This section does not preclude a Shareholder from having a spouse, domestic partner, parent or parents, child or children or friends from living with the Shareholder in the unit.

Section 14. Procedure for Assignment or Transfer of Lease.

(a) Notice and Option to Cooperative in Event of Transfer. Any Shareholder intending to assign or transfer his Lease shall first give the Cooperative thirty days' written notice of his intention to do so and set forth the name and address of a person who shall act as an appraiser. The Cooperative within ten days after delivery of such notice shall select another person to serve as appraiser, unless the parties shall have arrived at written terms of the assignment or transfer beforehand, and shall notify the person appointing the first appraiser of such selection. The two appraisers promptly shall select a third. The appraisers within 30 days after the appointment of a third appraiser shall by majority vote determine the cash market value of the Shareholder's shares and Lease and notify the Cooperative and Shareholder in writing thereof. Each party shall pay the expense and fee of the appraiser selected by him and each shall pay one-half of the fee and expense of the third appraiser. The Cooperative shall have 30 days after receipt of the written statement of value from the appraisers to purchase and pay for the Shareholder's shares and Lease at their appraised value.

(b) Where Cooperative Does Not Exercise Option. If the Cooperative waives in writing its rights to purchase the Shareholder's shares and Lease, or cause the same to be purchased, or if the Cooperative fails to exercise its option as above provided within said thirty-day period, the Shareholder may transfer his shares and assign his Lease to any person who is eligible to be a shareholder in the Cooperative and who is approved in writing by the Cooperative; thereupon the retiring Shareholder shall be released of all obligations under this Lease. The Cooperative will not withhold approval of any Shareholder to whom any such shares or Lease are to be transferred except for good cause, such as bad character, financial irresponsibility, psychotic traits or such other causes as may be designated by rule of the Board of Directors. If the Shareholder notifies the Cooperative of his intention to sell his shares and

Lease, the Cooperative waives its option to purchase or fails to exercise it, the Cooperative will assist the Shareholder in finding a purchase at a reasonable price.

(c) Deaths. If, upon death of the Shareholder, the Lease and the Shareholder's shares in the Cooperative pass to a person in his immediate family, the latter may, by assuming in writing the terms of the Lease within 60 days after the Shareholder's death and paying all amounts due hereunder, acquire all rights of the Shareholder hereunder; provided that he is approved to be a shareholder in the Cooperative as provided in the preceding subsection. If such person waives his right to assume the Lease, or fails to assume it, or if the Lease and shares pass to someone not in the Shareholder's immediate family, any administrator, executor, or heir or other person entitled thereto shall take same subject to the appraisal procedure set forth in subsection (a) hereof. In this case either the Cooperative or the administrator, executor, or person legally entitled to have custody or control of the Lease, may give the initial notice setting forth the intent to transfer it and the name and address of the appraiser.

Notwithstanding the foregoing, at any time within sixty (60) days after the repossession of a security interest and unit by a Lender with whom the Cooperative has signed a recognition agreement, the Cooperative may purchase the certificate from the Lender for the defaulting Shareholder's then outstanding balance, and reasonable costs of repossession including reasonable attorneys' fees.

Section 15. Accounting for Amounts Paid by Shareholder on Account of Principal, Interest and Reserve Fund. The Cooperative will keep books of account, open for inspection by any Shareholder at any reasonable time, showing the portion of the Shareholder's monthly payments made by the Shareholder on account of principal and interest of the mortgage indebtedness, and all other obligations of the Cooperative. The Cooperative will furnish to the Shareholder a statement showing such amount with reasonable promptness at the end of each fiscal year

Section 16. Surrender of Premises.. Upon the termination of the Lease, the Shareholder shall surrender to the Cooperative the possession of the apartment covered herein in as good condition as existed on the commencement date of the Lease, reasonable wear, tear and damage by elements excepted.

Section 17. This Lease may be amended at a regular or special meeting called for such purpose by a vote of two-thirds of the shareholders entitled to vote.

EFFECTIVE DATE:

MELROSE TERRACE, INC.

By _____

Title President

By _____

Title Secretary

SHAREHOLDER(S)

Sample Copy