

EMERGENCY CENTER PROJECT LETTER OF INTENT**SLEEPY HOLLOW FIRE PROTECTION DISTRICT (“SHFPD”) AND
SLEEPY HOLLOW HOMES ASSOCIATION (“SHHA”)**

Version dated February 10, 2015

The following provides the general terms and conditions of a proposed transaction between SHHA and SHFPD regarding the Emergency Space (as defined below). This letter of intent represents an offer to negotiate terms between SHHA and SHFPD and is not binding upon either party until the preparation and execution of definitive documents. SHFPD may terminate negotiations with SHHA at any time in SHFPD’s sole and absolute discretion.

Project	Defined, for purposes of this letter of intent, as construction of the Sleepy Hollow Community Center as depicted in the plans dated March 28, 2014 and received by the Marin County Community Development Agency in final form on May 16, 2014, as modified in accordance with the Conditions of Approval set forth in Marin County Board of Supervisors Resolution No. 2014-100 dated October 28, 2014 (the “ Plans ”).
Documents	<p>Use Agreement, modeled on a commercial lease, will govern post-construction relationship of the parties and provide for SHFPD’s use of the Emergency Space (as defined below) in the Project, as well as an option to purchase an equity interest in the Property.</p> <p>Funding Agreement, modeled on a commercial construction loan agreement, will govern relationship of the parties during construction and set out terms and conditions for SHFPD’s up to \$2 million contribution towards construction of the Project.</p> <p>Note, modeled on a commercial short form construction note, will secure SHHA’s obligation to complete construction of the Emergency Space and will be terminable by SHFPD upon completion and delivery of Emergency Space.</p> <p>Deed of Trust, modeled on a commercial short form deed of trust, will secure payment of Note and be recorded against the property underlying the Project (the “Property”).</p> <p>Assignment of Plans and Specs, modeled on a commercial collateral assignment, will permit assignment of all documents</p>

	<p>associated with construction of the Project to SHFPD, who may (but will not be obligated to) complete construction of the Project and/or Emergency Center.</p> <p>Opinion to be issued by SHHA’s counsel confirming proper existence of SHHA and the Sleepy Hollow Charitable Foundation (“SHCF”), due authorization of SHHA and, to the extent applicable, SHCF to enter into and perform under the definitive agreements and validity of the lien created by the Deed of Trust.</p>
<u>USE AGREEMENT TERMS</u>	
Emergency Space	<p>The approximately 432 square foot office space and 132 square foot storage space depicted on page P-10 of the Plans (the “Office Space”), use of the first floor meeting room for all public meetings of SHFPD, use of the first floor gathering room for SHFPD events (as coordinated with SHHA) and use of the first and second floors for emergency shelter purposes as depicted on pages P-17 and P-18 of the Plans in the event of a declared emergency (collectively, the “Emergency Space”). SHFPD shall also have the right to post all required legal notices in an area of the Project visible from the outside 24 hours per day. SHFPD will lease the Emergency Space from SHHA, and SHHA will lease the Emergency Space to SHFPD.</p>
Build-out of Emergency Space	<p>SHHA shall construct all portions of the Emergency Space as depicted in the Plans. Any modifications to the Plans (including portions of the Project other than the Emergency Space) require SHFPD’s review and approval, not to be unreasonably withheld, conditioned or delayed. SHHA to comply with all terms of the Funding Agreement and all applicable laws and permits during construction.</p>
Rent	\$1 per year with no escalations or pass-through of expenses.
Security Deposit	None.
Term	“Evergreen” (i.e., perpetually self-renewing) lease with a base term of 60 years.
Permitted Use	<p>Office, educational, training, public assembly, emergency, and other uses consistent with the operation of a fire protection district as authorized by California law, including the storage, maintenance, repair, and use of certain SHFPD equipment. SHFPD shall at all times have full and exclusive use of the Office</p>

	Space. SHFPD's use of the Emergency Space shall be on a preferential, non-exclusive basis with priority over other users (as coordinated with SHHA) except in the event of a declared emergency, in which event SHFPD shall have exclusive use and use by others shall be suspended so long as the emergency declaration remains in effect and for a reasonable time thereafter.
Commencement Date	Upon SHHA's receipt of a certificate of occupancy for and delivery of possession of the Emergency Space and the Project.
Early Occupancy	SHFPD shall have the right to access the Emergency Space for the purpose of installation of its furniture, fixtures and equipment not less than ten (10) days prior to the Commencement Date.
Emergency Usage and Operations	SHFPD will provide Exhibit to the Use Agreement outlining how the Emergency Space will be used in the event an emergency is declared, which Exhibit may be updated by SHFPD without requiring consent of SHHA. SHHA agrees to cooperate in turning over the Project to SHFPD for its use and operation during such emergency.
Equity Interest	In partial consideration of the Funding Agreement below, SHHA shall grant to SHFPD an exclusive option to purchase not less than ____ percent (__%) of SHHA's equity interest in the Property (the "Equity Interest") on terms and conditions to be agreed upon by SHHA and SHFPD (the "Option"). [Percentage to be set at the amount SHFPD funds the Project pursuant to the Funding Agreement against the total Project budget.] The Option price shall be \$10. After exercise of the Option, SHHA shall convey by grant deed to SHFPD the Equity Interest, and SHHA and SHFPD shall become tenants in common of the Property. The Use Agreement shall remain in place and become the tenancy in common agreement, and all terms that relate to leasing of Property shall be deleted.
Replacement and Repair Reserves	SHHA will deposit in an interest-bearing account, in an amount to be established by the Operating Plan (defined below), funds sufficient to provide planned operation, maintenance, replacement and repair of the Project for not less than 10 consecutive years after the Commencement Date (the "Reserve"). If SHHA does not meet its obligations to repair the Project, provide utilities or make required payments (including for property taxes), SHFPD shall have the right, but not the obligation, after notice and an opportunity to cure, to use funds from the Reserve to complete such obligations.

Maintenance of Project	SHHA shall be solely responsible for arranging and paying for all maintenance, operation and security of the Project. SHFPD shall be responsible for maintenance and repair within the Office Space only.
Operating Expenses	SHHA shall be solely responsible for providing all electrical, gas, cable, HVAC, and any other utilities provided to the Project, and SHFPD shall not be obligated to pay any costs associated with such utilities. SHFPD shall be responsible for providing all telecommunications service to the Office Space. SHHA shall not take any action which would result in a reduction in the level, quality, or reliability of the telecommunications services in or to the Office Space or impede SHFPD's access to such services.
Taxes	SHHA shall be solely responsible for payment, at its sole cost and expense, of any property taxes, special assessments, gross receipts taxes or other taxes on the Property or the Project.
Audit Rights	SHFPD shall have the right to receive and review, on an annual basis, SHHA's costs and expenses for operating and maintaining the Project and an accounting of the Reserve. SHFPD shall have the right, within 180 days after receipt of such statement of costs and expenses, to review the actual statement of operating expenses for any errors and for the reasonableness of such expenses. SHHA and SHFPD will cooperate in good faith to resolve any audit disputes. If SHHA and SHFPD are unable to resolve any issues after working together in good faith to obtain such resolution, then the unresolved issues shall be submitted to an independent certified public accountant selected by SHHA, with SHFPD's reasonable approval, for a determination which shall be conclusive and binding upon SHHA and SHFPD. SHHA and SHFPD shall share equally the cost of such independent certified public accountant's services.
Insurance	SHHA shall carry commercial general liability insurance of not less than \$2 million per occurrence, \$5 million umbrella and casualty insurance for the full replacement value of the Project. SHFPD shall be a named additional insured on such insurance policies and shall be a loss payee with respect to the casualty insurance, in an amount reasonably equal to the cost to replace the Office Space. SHFPD shall carry fire and extended coverage insurance for its personal property.
Indemnity	SHFPD shall indemnify SHHA for any injury or damage due to SHFPD's use of the Office Space (except to the extent of

	SHHA’s negligence or willful misconduct). SHHA shall indemnify SHFPD and its directors, officers, agents, representatives, and employees for any injury or damage due to SHHA’s breach, negligence or willful misconduct.
Access & Security	SHFPD shall have access to the Project, parking, and Emergency Space 24 hours per day, seven days per week. SHHA shall provide and maintain at all times a commercially reasonable monitoring/security system.
Alteration and Repairs	SHFPD shall have the right to make any and all alterations to and repairs within the Emergency Space without the consent of SHHA, provided that such repairs do not alter the mechanical or structural systems of the Project. For such alterations, SHHA’s consent shall not be unreasonably withheld.
Subleasing & Assignment	SHFPD shall have the right to sublease or assign any and all of its rights under the Use Agreement with the consent of SHHA, which shall not be unreasonably withheld.
Casualty & Eminent Domain	<p>In the event of a casualty or condemnation that materially affects the Project or the Emergency Space, SHHA shall be obligated to rebuild the Project if the time to complete such construction is reasonably estimated by SHHA is one year or less. Otherwise, the Use Agreement shall terminate as of the date of such casualty or condemnation, and SHHA shall buy out SHFPD’s remaining leasehold or equity interest, to the extent applicable (the “Buyout”), as determined by an appraisal that meets the following requirements:</p> <p>The appraiser shall have at least 10 years’ worth of experience in appraising commercial office uses and be a Member of the Appraisal Institute (MAI). The appraisal shall assume the Project to be in first-class condition. SHHA and SHFPD shall each have the opportunity to review the appraisal and accept or reject the amount specified therein. If either party objects, then baseball-style arbitration rules for resolution of the appraisal amount shall apply. SHHA shall pay to SHFPD the amount specified in the appraisal within thirty (30) days after either acceptance of the initial appraisal or conclusion of the arbitration process, as applicable.</p>
SHHA Default	The Use Agreement will be cross-defaulted with the Funding Agreement. If SHHA defaults in its obligations under the Use

	Agreement after termination of the Note, SHFPD shall have the option to trigger a Buyout.
Subsequent Owners & Non-Disturbance	The Use Agreement shall provide that SHFPD shall have reasonable rights to approve or disapprove the assignment, mortgage, pledge, hypothecation, or other transfer of SHHA's interest in the Project in whole or in part. SHFPD shall have the right to disapprove of such transferee if such transferee cannot or will not maintain the Project in a first-class condition. The Use Agreement shall also provide that SHFPD shall not be disturbed in its possession of the Emergency Space for so long as SHFPD is not in default under the Use Agreement.
Anti-Discrimination	During the construction, maintenance, and operation of the Project, SHHA will not discriminate against any employee or applicant for employment because of age, race, color, ancestry, religion, sex, or national origin. SHHA shall include and require compliance with these non-discrimination provisions in any subletting or subcontract made with respect to construction or maintenance operations for the Project.
Recordation	SHHA and SHFPD shall execute and record a mutually-agreed upon memorandum of agreement, reflecting the terms and conditions of the Use Agreement.
<u>FUNDING AGREEMENT TERMS</u>	
Funding Amount	Up to \$1,975,000 million and in no event more than 80% of the total construction cost of the Project, including all space planning and design fees, architecture and engineering fees, permit fees, and construction management fees incurred in designing and constructing the Project.
SHHA Contribution	SHHA will contribute all land necessary for construction of the Project and at least 20% of the total construction cost of the Project. Prior to execution of the Funding Agreement, SHHA will provide evidence of its ability to fund its contribution, which may require review of documents showing relationship of SHHA to the Sleepy Hollow Charitable Foundation, at SHFPD's option.
Funding Timing & Basic Conditions	Funding to be provided as part of a construction draw process administered by a commercial escrow company reasonably acceptable to SHHA and SHFPD. Draw process will require SHHA to submit draw requests, lien releases and architect's certificate, and escrow will issue date-down endorsement on title policy. SHFPD funding to be provided after payment of SHHA's

	<p>minimum 20% contribution and may include up to 10% retainage on each draw request. Project funding subject to “in balance” requirements (i.e., there are enough funds, between undisbursed loan proceeds and SHHA funding, to cover remaining items on approved construction budget).</p>
Construction Milestones	<p>Funding will be tied to SHHA’s on-time completion of specified construction milestones, which may include some or all of the following: receiving demolition permit; receiving building permit; demolishing existing structure; completing grading; completing foundation; constructing exterior shell and “topping off” building; and completing interior build-out. SHFPD shall have the right to terminate the Funding Agreement if SHHA fails to meet the construction milestone for reasons other than force majeure (i.e., acts out of either party’s control). SHFPD shall have the right to receive reimbursement of disbursed funding amounts if construction milestones are not met after an additional cure period (30/60/90 days, depending on the milestone).</p>
Construction Contract	<p>SHHA will enter into a guaranteed maximum price contract with a licensed and insured general contractor after solicitation of not less than three bids. General Contractor and form of construction contract must be reasonably approved by SHFPD. SHHA will comply with all provisions of the California Public Contract Code and California Labor Code applicable to the Project due to SHFPD’s use and occupancy of the Emergency Space and funding of the Project. SHHA shall indemnify and hold SHFPD harmless for any losses or damages arising out of any breach of the Code-compliance requirements.</p>
Subcontracts	<p>SHFPD will have the right to approve all subcontractors and subcontracts for (1) any work to be done in the Office Space and (2) all other work on the Project of at least \$25,000.</p>
Construction Budget	<p>Prior to any funding by SHFPD, SHHA will submit to SHFPD a final, detailed construction budget for the Project, which may be approved in SHFPD’s sole discretion. Any and all cost increases or changes in the approved construction budget shall be at SHHA’s sole cost and expense. All change orders that (1) relate to the Office Space, (2) would materially modify any portion of the Project or (3) would increase the construction budget or cost of the Project shall be subject to SHFPD’s review and approval, at SHFPD’s sole discretion.</p>

Environmental Matters	SHHA will provide (at SHHA's expense) to SHFPD a Phase I environmental site assessment for the Property sufficient to provide SHFPD with CERCLA protection under the current "all appropriate inquiries" standard. SHHA to indemnify SHFPD for the environmental condition of the Property and for any release of hazardous substances present in the Project or Property prior to the Commencement Date and at all times thereafter.
Approval of Plans	Prior to final preparation of construction drawings for the Project, SHHA shall submit such drawings to SHFPD for SHFPD's reasonable review and approval. SHHA may not modify the approved final plans without SHFPD's approval, to be granted or denied at SHFPD's sole discretion.
Title	SHHA will provide a preliminary title report from a title company reasonably acceptable to SHFPD for SHFPD's review and approval prior to execution of definitive agreements. SHFPD shall receive an ALTA Lender's Policy of Title Insurance, insuring its lienhold interest in the land for \$2 million as of recordation of the Deed of Trust, and SHHA shall pay the premium for such title insurance and all endorsements required by SHFPD.
Construction Inspections	Subject to compliance with any worksite requirements, SHFPD shall be permitted to inspect or cause its architect, engineer or construction manager (if any) to inspect the Project to ensure construction is being completed in accordance with the approved plans and applicable permits.
Operating Plan	Prior to disbursement of any SHFPD contribution, SHHA shall prepare for SHFPD's reasonable approval an operating plan reflecting how SHHA will ensure required Project operation, maintenance and repair is completed on a timely basis (the " Operating Plan "). The Operating Plan will include the amount of and financing for the Reserve (as defined above). SHHA shall update the Operating Plan (in consultation with SHFPD) every five (5) years after the five-year initial period and as otherwise needed to address changes in the SHHA's finances and operations. All Operating Plan updates and amendments shall be approved by the SHFPD.
Insurance	During construction, SHHA will carry and require, as applicable, its contractors and subcontractors to carry, the same insurance as specified in the Use Agreement section above plus builder's risk,

	worker's compensation (in statutory-required amount) and automobile liability (\$1 million per occurrence).
SHHA Default	If SHHA defaults in any of its obligations under the Funding Agreement, SHFPD may immediately terminate the Funding Agreement and suspend all payments. SHFPD may require repayment of funds previously provided if the Project has not been completed, or it may seek remedies under the Note, Deed of Trust or Collateral Assignment. The Funding Agreement will be cross-defaulted with the Use Agreement.
Non-Recourse Carveouts	Guarantees shall be provided from SHHA (or appropriate affiliates) to cover matters such as fraud and misrepresentation.
Other Conditions	SHHA to adopt formal resolution permitting all residents of the SHFPD equal access to all portions of the Project and equal participation in the SHHA.
Note	SHHA to execute Note with Funding Agreement, which will not bear interest unless SHHA defaults. Default interest rate of 12%. SHFPD may accelerate Note in event of SHHA default. Note will be terminated upon SHHA's completion of the Emergency Space.
Deed of Trust	SHHA to execute Deed of Trust with Funding Agreement, which will be recorded against the Property and will secure SHHA's obligations under the Funding Agreement. SHFPD may foreclose in event of default under the Note or Funding Agreement.
Collateral Assignment	[OPTIONAL DOCUMENT] SHHA to execute Collateral Assignment with Funding Agreement, which will assign for financing purposes only the construction contract, plans, specifications, architect agreement and other documents required to complete construction of the Project. SHHA required to obtain any necessary consents to the Collateral Assignment. SHFPD would have the right, but not the obligation, to complete construction in the event SHHA defaults.
Bonds	SHHA to post payment and performance bonds, guaranteeing payment of contractors and subcontractors and completion of the Project.