

thirty-five (35) year term in calendar year 2077) consistent with the Consideration Negotiation Process outlined in Section 2.03 below.

Section 2.03. Consideration.

(a) **Rent.** In consideration of the leasehold estate of the Leased Premises granted to Harbor Shores and the covenants of the City of Benton Harbor provided in this Lease, Harbor Shores shall pay to the City of Benton Harbor annual installments of rent ("**Rent**") for each year of the initial thirty-five (35) year term and each year of all renewal terms. Except for the first installment of Rent, each annual installment of Rent shall be payable on the first day of the applicable year of the term. The first installment of Rent for the first year of the term shall be payable upon commencement of construction of the golf course or by June 30, 2007, whichever is earlier. For the first year of the term, Rent shall be Thirty Thousand and No/100 Dollars (\$30,000.00). For each succeeding year thereafter during the Initial Term, Rent shall be increased by one percent (1%) annually over the Rent for the previous year. Following each such adjustment, the term "Rent," as used in the Lease, shall mean Rent as most recently adjusted.

(b) **Additional Rent.** Additionally, in consideration of the leasehold estate of the Leased Premises granted to Harbor Shores in this Lease, during the Initial Term of this Lease Harbor Shores shall provide the following which shall be considered "**Additional Rent**":

(i) Harbor Shores' fee simple conveyance of the park expansion property as defined and described in the Park Improvements and Maintenance Agreement. This consideration has a total estimated value of Nine Hundred Ninety Nine Thousand Five Hundred and no/100 Dollars (\$999,500.00) and has previously been conveyed to the City of Benton Harbor under the terms and conditions of the Prior Agreement;

(ii) Harbor Shores' construction and conveyance of the park improvements for Jean Klock Park and Parcel 8A as described in the Park Improvements and Maintenance Agreement. This consideration has a total estimated value of One Million and no/100 Dollars (\$1,000,000.00);

(iii) Harbor Shores' construction and improvement of West Klock Road pursuant to the letter from Jeffrey Noel to Pete Mitchell attached as **Exhibit D** to this Lease, contingent upon the proceeds of the applicable MDOT Grant in the amount of Five Hundred Forty Four Thousand Five Hundred Fifty and no/100 Dollars (\$544,550.00) being utilized for the improvement of West Klock Road. The total cost of the West Klock Road project is One Million Eight Hundred Eighty-Five Thousand Four Hundred Twenty-Two and no/100 Dollars (\$1,885,422.00). Harbor Shores will pay One Million Three Hundred Forty Thousand Eight Hundred Seventy Two and no/100 Dollars (\$1,340,872.00) towards the West Klock Road project;

(iv) Harbor Shores' construction and improvement of East Klock Road pursuant to the letter from Jeffrey Noel to Pete Mitchell attached as **Exhibit D** to this Lease,

contingent upon the proceeds of the applicable MDOT Grant in the amount of Four Hundred Ninety Eight Thousand Three Hundred and no/100 Dollars (\$498,300.00) being utilized for the improvement of East Klock Road. The total cost of the East Klock Road project is Eight Hundred Seventy-Three Thousand Nine Hundred Fifty-Four and no/100 Dollars (\$873,954.00). Harbor Shores will pay Three Hundred Seventy Five Thousand Six Hundred Fifty Four and no/100 Dollars (\$375,654.00) towards the East Klock Road project;

(v) Harbor Shores' construction and improvement of Graham Avenue pursuant to the letter from Jeffrey Noel to Pete Mitchell attached as **Exhibit D** to this Lease, contingent upon the proceeds of the applicable MDOT Grant in the amount of One Million Nine Hundred Ninety Thousand Eight Hundred and no/100 Dollars (\$1,990,800.00) being utilized for the improvement of Graham Avenue. The total cost of the Graham Avenue project is Three Million One Hundred Thousand Five Hundred Sixty-Six and no/100 Dollars (\$3,100,566.00). Harbor Shores will pay One Million One Hundred Nine Thousand Seven Hundred Sixty Six and no/100 Dollars (\$1,109,766.00) towards the Graham Avenue project;

(vi) Harbor Shores' construction and conveyance of the park expansion improvements as described in the Park Improvements and Maintenance Agreement. This consideration has a total estimated value of Five Hundred Thousand Eight Hundred Fifty and no/100 Dollars (\$500,850.00);

(vii) Harbor Shores' maintenance, as described in Sections 3.03(a) of the Park Improvements and Maintenance Agreement, of Jean Klock Park and Parcel 8A (but not including the Leased Premises), and the park expansion property (as defined in the Park Improvements and Maintenance Agreement), which includes, but is not limited to, the following: sand and dune maintenance; trash removal; cleaning of public restrooms; grass mowing and related landscaping trimming and maintenance; and other customary park maintenance items. Notwithstanding the foregoing, Harbor Shores' maintenance obligations under this Subsection (vii) do not include maintenance as the result of special events or public road maintenance or repair or replacement of any of the non-golf course related infrastructure located within Jean Klock Park, Parcel 8A or the park expansion property as described in the Park Improvements and Maintenance Agreement. The Parties acknowledge that the consideration under this Subsection (vii) has a total estimated value of One Hundred Fifteen Thousand and no/100 Dollars (\$115,000.00) annually (based on 2006 dollars); and

(viii) Beginning with the first year of the term of this Lease, Harbor Shores' annual payment to the City of Benton Harbor Community Benefits Program (as defined below) which will be used by the City of Benton Harbor for the City of Benton Harbor Community Benefit Program to be developed by the City of Benton Harbor with input from the Golf Course Oversight Panel solely to support activities directly related to the City of Benton Harbor Community Benefits Program (as defined below). For purposes of this Lease, the annual amount that Harbor Shores must pay to the City of Benton Harbor Community Benefits Program shall be the greater of: (i) Five Thousand and no/100 Dollars (\$5,000.00), or (ii) the amount determined pursuant to the following formula: twenty percent (20%) of the "**Annual Net Operating Income**", which will be defined as all golf course gross income (including greens fees, pro shop fees, range and lesson fees, as well as golf course facility rental fees,