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Land Trust*
On JUN 23 1993 AD
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Santiam County, WA
By *L. Stephens*
Deputy

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OPAL COMMUNITY LAND TRUST
GROUND LEASE

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GROUND LEASE

1
2 THIS GROUND LEASE made and entered into this _____ day of
3 _____, 1993, by and between OPAL Community Land Trust
4 ("OPAL") as Lessor, and _____
5 ("Lessee") as Lessee.

6 WHEREAS, OPAL is organized exclusively for charitable purposes
7 including: the development and preservation of decent, affordable
8 housing for low and moderate income people in the San Juan county
9 area; the conservation of land and natural resources by fostering
10 responsible, affordable long-term occupancy; the promotion of
11 neighborhood stability and improvement of low-income communities in
12 the San Juan County area; and the creation of home-ownership
13 opportunities for low and moderate income people, who otherwise
14 would be denied such opportunities because of limited financial
15 resources; and

16 WHEREAS, the goal of OPAL is to stimulate the creation of
17 decent, affordable housing among low and moderate income people by
18 providing access to housing for such persons at affordable prices
19 through the long-term leasing of land under said housing; and

20 WHEREAS, OPAL in furtherance of these charitable purposes has
21 acquired fee title to the property described in Exhibit A and by
22 reference included herein (the "Premises"); and

23 WHEREAS, Lessee shares the purposes and goals of OPAL and has
24 agreed to enter into this Lease not only to obtain those certain
25 benefits to which OPAL's prospective or current shareholders are
26 entitled hereunder, but also to further the charitable purposes of
OPAL; and

WHEREAS, OPAL and Lessee recognize the special nature of the
terms and conditions of this Lease, and each of the parties hereto,
with the independent and informed advice of legal counsel freely
accepts said terms and conditions, including, without limitation,
such terms and conditions as will enhance the marketability among
low and moderate income people but also possibly affect the
marketability or resale price of any residential structures or
other improvements on the leased premises for other people; and

WHEREAS, it is mutually understood and accepted by OPAL and
Lessee that the terms and conditions of this Lease further the
parties' shared goal of preserving access to land and the
availability of decent, affordable housing and home ownership
opportunities for low and moderate income people over an extended
period of time and through a succession of owners;

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

4 ARTICLE I: LETTERS OF STIPULATION/ACKNOWLEDGMENT

5 Attached hereto as Exhibit B and made part of this Lease by
6 reference are (i) Letter(s) of Stipulation of each prospective
7 owner/resident of the Leased Land, and (ii) a Letter of
8 Acknowledgment of legal counsel of each prospective owner/resident
9 setting forth their review and understanding of this Lease (in
particular, ARTICLE X hereof), the terms and conditions contained
herein, and related documents for this transaction.

10 ARTICLE II: DEMISE OF LEASED LAND

11 2.1 LEASED LAND: OPAL, in consideration of the rents
12 reserved and the terms, conditions, covenants and agreements
13 herein, does hereby demise and lease unto Lessee, and Lessee does
14 hereby take and hire from OPAL, that portion of the Premises
15 (referred to in this Lease as the "Leased Land") described in
16 Exhibit C attached hereto and by reference included herein. OPAL
has furnished to Lessee a copy of the most current, if any, title
report previously obtained by OPAL for the Premises, and Lessee
accepts title to the Leased Land in their condition "as is" as of
the execution hereof.

17 2.2 RESERVATION OF MINERAL RIGHTS: OPAL reserves to itself
18 all the minerals and other extractive resources. Said reservation
19 shall not diminish the right of Lessee under this Lease to occupy
20 and freely use the Leased Premises. Any eventual extraction by
21 OPAL of minerals or other extractive resources shall be carried out
with as little disruption to Lessee as is reasonably possible. In
instances requiring a material disruption of Lessee's right of use
and occupancy of the Leased Premises, OPAL shall not make said
extraction without the consent of Lessee.

22 ARTICLE III: DURATION OF LEASE

23 3.1 TERM: The term of this Lease shall be 99 years,
24 commencing on the ____ day of _____, 19__, and terminating on
the ____ day of _____, 20__, unless terminated sooner as provided
herein.

25 3.2 LESSEE'S OPTION TO EXTEND: Lessee may extend the
26 principal term of the Lease for one (1) additional period of 99

1 years, subject to all of the provisions of this Lease; provided
2 that OPAL may make changes to the terms of the Lease for the
3 renewal period prior to the commencement of such renewal period but
4 only if such changes do not materially harm Lessee's rights
5 hereunder. Lessee's right to exercise the option to extend is
6 subject to the following conditions: this Lease shall be in effect
7 at the time notice of exercise is given and on the last day of the
8 term; and there shall not then be an Event of Default by Lessee (as
9 defined in ARTICLE XII herein) under this Lease nor under any loan
10 documents between Lessee and any Permitted Mortgagee (hereinafter
11 defined). In order to extend the term of this lease, Lessee shall
12 give OPAL written notice, not more than 365 days nor less than 180
13 days before the last day of the current term, irrevocably
14 exercising the option to extend. Each party shall then execute a
15 memorandum, in mutually agreeable recordable form, acknowledging
16 the fact that the option has been exercised and otherwise complying
17 with the requirements of law for an effective memorandum or notice
18 of lease.

11 3.3 CHANGE OF LESSOR; LESSEE'S RIGHT TO PURCHASE: In the
12 event that ownership of or title to the Premises or some portion
13 thereof on which the Leased land is located is conveyed by OPAL to
14 any other person or entity, this Lease shall not cease, but shall
15 remain binding and unaffected. However, in the event that OPAL
16 desires to sell or convey the Premises to any person or entity
17 other than to a non-profit corporation, charitable trust,
18 governmental agency or other similar entity sharing the goals and
19 objectives set forth in the recitals above (or as security for a
20 mortgage loan), Lessee shall have a right of first refusal to
21 purchase the Leased Land. This right shall be as specified in
22 Exhibit D FIRST REFUSAL annexed hereto and incorporated herein.
23 Any sale or transfer contrary to this Section shall be null and
24 void.

19 ARTICLE IV: USE OF LEASED PREMISES

20 4.1 RESIDENTIAL USE ONLY: Lessee shall use, and shall cause
21 all occupants thereof to use, the Leased Land and any buildings,
22 structures or other improvements now or in the future thereon (the
23 "Improvements") only for residential purposes and such incidental
24 activities related to residential use as are currently permitted by
25 applicable zoning law as indicated in the attached Exhibit E
26 ZONING. In addition, transfers of Lessee's interest in the Leased
Land shall be subject to the restrictions hereof, including ARTICLE
X and XI. Lessee agrees and acknowledges that the foregoing
limitations and all other conditions and restrictions contained
herein, are essential to the fulfillment of the charitable purposes

1 of OPAL and are conditions and restrictions on the use of Leased
2 Land intended to run the full term of this Ground Lease.

3 4.2 RESPONSIBLE FOR USE: Lessee shall use the Leased Land in
4 a manner so as not to cause harm to others, nor shall Lessee create
any nuisances, public or private; and Lessee shall dispose of any
and all waste in a safe and sanitary way.

5 4.3 RESPONSIBLE FOR OTHERS: Lessee shall be responsible for
6 the use of the Leased Land by any residents thereof, families,
7 their friends or visitors, or anyone else using the Leased Land
with Lessee's consent, and shall make such users aware of the
spirit, intent and appropriate terms of this Lease.

8 4.4 OCCUPANCY: Lessee shall occupy the Leased Land for at
9 least nine (9) months of each year of this Lease, unless otherwise
10 agreed by OPAL. Occupancy by children or other immediate family
members or dependents of Lessee shall be deemed occupancy by
11 Lessee.

12 4.5 INSPECTION: OPAL may inspect any portion of the Leased
13 Land at any reasonable time and in any reasonable manner, upon at
least twenty-four (24) hours oral notice to Lessee, except in the
event of emergency when no notice shall be required.

14 4.6 LESSEE'S RIGHT TO PEACEFUL ENJOYMENT: Lessee has the
15 right to undisturbed, peaceful enjoyment of the Leased Land.
16 However, Lessee recognizes that the Premises are near an airport
and agrees that the use of that airport and the noise attendant
17 thereto do not and will not interfere with the Lessee's
undisturbed, peaceful enjoyment of the Leased Land. Lessee further
18 agrees that under no circumstances will the use of the airport
constitute a violation of this paragraph.

19 4.7 CONDITION OF LEASED PREMISES; COMPLIANCE WITH LAW: OPAL
20 has no desire or intention to interfere with the personal lives,
associations, expressions, or actions of Lessee, subject to the
21 terms, covenants, conditions, provisions, restrictions, or
reservations of this Lease. Lessee agrees that Lessee shall
22 maintain the Leased Premises and Improvements in good, safe, and
habitable condition in all respects, and in full compliance with
23 all applicable laws, ordinances, rules and regulations of any
24 governmental authority with jurisdiction over matters concerning
the condition of the Leased Premises.

25 ARTICLE V: LAND LEASE FEE
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1 5.1 LAND LEASE FEE: In consideration of the possession,
2 continued use and occupancy of the Leased Land, Lessee shall pay to
OPAL a monthly Land Lease Fee (the "Land Lease Fee") equal to:

3 (a) a Use Fee (hereinafter defined in paragraph 5.5) of Zero
4 Dollars; plus

5 (b) one-twelfth (1/12th) of the reserve/maintenance and
6 administrative charges applicable to the Leased Land; plus

7 (c) one-twelfth (1/12th) of (i) the annual real estate taxes
8 and (ii) any other municipal charges (such as water and sewer
charges) whatsoever applicable to the Leased Land or Improvements;
plus

9 (d) special assessments or tax adjustments against the Land,
10 Leased Land or Improvements prorated over the number of months for
which said assessments or adjustments apply; plus

11 (e) one-twelfth (1/12th) of the insurance premiums for such
12 insurance as OPAL may from time to time carry with respect to the
Premises or Leased Land; plus

13 (f) all fees, costs, and expenses, including, without
14 limitation, reasonable attorneys' fees, incurred by OPAL in
connection with any Permitted Mortgage.

15 5.2 CALCULATION OF LAND LEASE FEE: Promptly after the receipt
16 by OPAL of bills for the upcoming year the items listed in 5.1
above, but in any event not later than December 15th of each year,
17 OPAL shall give Lessee notice of the estimated total amount of the
Land Lease Fee for the then coming year. If a bill for the coming
18 year for any item included in the Land Lease Fee is not available
as of the time OPAL gives such notice, OPAL shall make a projected
19 computation based upon the charge for such item for the immediately
prior year. A final adjustment shall be made in the Land Lease Fee
20 and Lessee shall be notified thereof promptly after OPAL receives
the applicable bill for the current year.

21 5.3 PAYMENT OF LAND LEASE FEE: Subject to the provisions of
22 Section 6.2 below, the Land Lease Fee shall be payable at OPAL's
principal address specified herein on the first day of each month
23 of each year of the term hereof. In the event this Lease commences
between any of the aforesaid payment dates, a pro-rata portion of
24 the Land Lease Fee shall be paid for the balance of such month at
the time of the execution hereof.
25
26

1 5.4 REDUCTION, DELAY OR WAIVER OF LAND LEASE FEE: OPAL in
2 its sole discretion may reduce, delay or waive entirely the Land
3 Lease Fee at any time and from time to time in consideration of the
4 personal hardship or incapacity of Lessee or Lessee's general
5 ability to pay. The intent of this section is to foster continued
6 occupancy by the resident owners despite the occurrence of
7 unforeseeable financial and personal hardship if reasonably
8 possible.

9 5.5 ADJUSTMENT OF USE FEE: The Use Fee specified in Section
10 5.1 (a) above has been calculated to approximate the monthly fair
11 rental value of the Leased Land, current as of the commencement of
12 the lease term, as if the use were not restricted by certain of the
13 provisions hereof with respect to transfers and use of the
14 Improvements. Such Use Fee shall be applicable in calculating the
15 Land Lease Fee at all times during the term of this Lease, as such
16 Use Fee shall be adjusted as hereinafter provided. Notwithstanding
17 the generality of the foregoing, during such portions of the term
18 hereof as Lessee shall be in compliance with the provisions of
19 ARTICLE IV, ARTICLE X AND ARTICLE XI hereof, the Use Fee shall be
20 abated to an amount not to exceed One Hundred Dollars (\$100) per
21 month. In the Event of Default with respect to any of the
22 provisions of ARTICLE IV, Sections 4.1 and 4.4, or ARTICLES X or
23 XI, then upon OPAL's election exercised by notice to Lessee, the
24 Use Fee shall increase to a fee equal to the monthly fair rental
25 value of the Leased Land as if the use were not restricted by this
26 lease, or such lesser amount as such notice shall specify. In the
event that OPAL receives, at the time of signing this Lease,
payment in full for the Leasehold Interest the Use Fee shall then
be waived for the term of the Lease.

 In order to keep the Use Fee reasonably current, the amount
specified in Section 5.1 (a) shall be recalculated every tenth
(10th) year during the term hereof. The amount shall be
recalculated through such reasonable appraisal process as OPAL
shall determine, and shall be determined as of such tenth or
multiple thereof anniversary of the commencement of the lease term
and be based upon the standards set forth in the first sentence of
this Section 5.5. OPAL shall notify Lessee promptly upon such
recalculation of the new Use Fee amount, and if Lessee shall not
state objections to such recalculated amount and the basis for its
objection and its proposed recalculated amount within thirty (30)
days after receipt of such notice, the Use Fee shall then be as
stated by OPAL in such notice. If Lessee shall so object to the
recalculated Use Fee, and the parties are thereafter unable to
agree upon a recalculated Use Fee within fifteen (15) days of
OPAL's receipt of Lessee's objection, the dispute shall be resolved
according to the arbitration process as set forth in ARTICLE XIII

1 hereof, except that the arbitrators chosen by each party shall be
2 ones with reasonably substantial experience in the valuation of
3 real estate. Upon the final determination of the recalculated Land
4 Use Fee in accordance with the terms of this section, OPAL shall
5 maintain in its file a notarized certification of the amount of
6 such recalculated Use Fee and the method of determination thereof.

ARTICLE VI: TAXES AND ASSESSMENTS

6.1 PAYMENT OF LAND TAXES BY OPAL WITH LAND LEASE FEE
7 PROCEEDS: Provided that Lessee has paid the Land Lease Fee
8 promptly and fully in accordance with the foregoing ARTICLE V, OPAL
9 shall pay all taxes or assessments owed for its ownership of the
10 Premises with the proceed generated from the Land Lease Fee. OPAL
11 shall keep that portion of the Land Lease Fee designated for taxes
12 or assessments in a tax escrow account. Such tax escrow account
13 may contain funds collected for such purpose from other lessees of
14 OPAL. Lessee shall not be entitled to any interest on the payments
15 made. OPAL may from time to time at its discretion change the
16 number and/or location of said tax escrow account. OPAL and Lessee
17 shall cooperate in securing any discount that may be available for
18 early payment of taxes or assessments.

6.2 LESSEE'S RESPONSIBILITY FOR TAXES AND ASSESSMENTS ON
14 IMPROVEMENTS: Notwithstanding the generality of Section 6.1 nor
15 the provisions of Section 5.1 specifying the components of the Land
16 Lease Fee, Lessee shall be responsible for payment of all taxes and
17 assessments, no matter how designated, that relate of the
18 Improvements on the Leased Land (any or all of the foregoing,
19 "Taxes"). So long as Lessee shall not be in default hereunder,
20 Lessee shall be permitted to pay directly to the taxing or
21 assessing authority the portions of the Land Lease Fee described in
22 Section 5(c) and (d) above relating to the Improvements on the
23 Leased Land (but not the Land) in lieu of paying such portions of
24 the Land Lease Fee to OPAL; but from and after notice of a default
25 to Lessee so stating, OPAL may require that some or all of such
26 payments be made to OPAL as part of the Ground lease as specified
27 in ARTICLE V.

To the extent any Taxes are not accounted for in the Land
22 Lease Fee, Lessee shall pay promptly when due such Taxes directly
23 to the taxing or assessing authority. Lessee shall also pay
24 directly, when due, all service bills, utility charges, or other
25 governmental assessments charged against the Leased Land, unless
26 otherwise directed by OPAL after Lessee shall be in default
27 hereunder with respect to any monetary obligation.

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1 6.3 LESSEE'S RIGHT TO CONTEST: Lessee shall have the right
2 to contest the amount or validity of any Taxes. OPAL shall, upon
3 written request by Lessee, join in any such proceedings if Lessee
4 shall reasonably determine that it shall be necessary or convenient
5 for OPAL to so join in order for Lessee to prosecute such
6 proceedings. All other costs and expenses of such proceedings
7 shall be paid by Lessee. Notwithstanding the foregoing, Taxes or
8 assessments against or including the Leased Land shall be contested
9 only with the concurrence of OPAL in its sole discretion.

6 6.4 PAYMENTS IN EVENT OF DELINQUENCY: In the event that
7 Lessee fails to pay Taxes or other charges specified in Section 6.2
8 above which are not otherwise part of the Land Lease Fee, OPAL may
9 increase Land Lease Fee payments in amounts such that the total sum
10 collected will offset the cost of any delinquent and current Taxes
11 or other charges, and make such payments in a timely manner.

10 6.5 PROOF OF COMPLIANCE: Concurrently with the payment
11 thereof, each party will furnish evidence satisfactory to the other
12 documenting the payment of all taxes, assessments, and charges
13 paid by such party as required or permitted by the provisions of
14 this Ground Lease. A photocopy of a paid receipt for such charges
15 showing payment prior to the due date shall be the usual method of
16 furnishing such evidence.

14 **ARTICLE VII: IMPROVEMENTS**

15 7.1 OWNERSHIP: It is expressly understood and agreed that
16 any and all Improvements and fixtures purchased by Lessee or
17 constructed, placed, or maintained by Lessee upon any part of the
18 Leased Land at any time during the term of this Ground Lease shall
19 be and remain property of Lessee. Title to such Improvements and
20 fixtures shall be and remain vested in Lessee. Lessee's exercise
21 of the rights of ownership is subject and subordinate, however, to
22 the provisions hereof, in particular Section 7.6 and ARTICLE XI
23 below, regarding the disposition of Improvements by Lessee and
24 OPAL's option to purchase the Improvements. In addition, Lessee
25 shall not sever or move the Improvements from the Land, unless
26 there is prior agreement from OPAL.

22 7.2 PURCHASE OF IMPROVEMENTS BY LESSEE: OPAL is
23 simultaneously selling and conveying to Lessee the Improvements now
24 located on the Leased Land and described in the DEED, the form of
25 which is annexed hereto as Exhibit F DEED.

25 7.3 CONSTRUCTION AND ALTERATION: Any construction in
26 connection with an existing or new Improvement is subject to the
following conditions: (a) all costs shall be borne and paid for

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1 by Lessee; (b) all construction shall be performed in a workmanlike
2 manner and shall comply with all applicable laws, ordinances and
3 regulations, including the requirements of local and state public
4 health authorities; and (c) all construction must be consistent
5 with the permitted uses set forth in ARTICLE IV.

6 7.4 PROHIBITION OF LIENS: No lien for services, labor or
7 materials resulting from Lessee's improvements shall attach to
8 OPAL's title to the Premises or to OPAL's interest in the Leased
9 Land or to any other property owned by OPAL. Lessee shall not
10 suffer or permit any vendor's, mechanic's laborer's, or
11 materialman's statutory or similar lien to be filed against the
12 Premises, the Leased Land, the Improvements, or any interest of
13 OPAL or Lessee. If any such lien shall at any time be filed
14 against the Leased Land, or any improvements thereof, Lessee shall
15 within sixty (60) days after notice of the filing thereof, cause
16 the same to be discharged of record by payment, deposit, bond, as
17 ordered by a court of competent jurisdiction or as otherwise
18 permitted by law. Lessee in good faith and at Lessee's expense may
19 contest the validity of any such asserted lien, provided Lessee has
20 furnished a bond in an amount set by statute or otherwise
21 sufficient to release the Leased Land or Premises from such a lien.
22 If Lessee shall fail to cause such lien to be discharged within the
23 period aforesaid, or to contest the same, then, OPAL may terminate
24 the Lease and in addition to any other right or remedy of OPAL,
25 OPAL may, but shall not be obligated to, discharge the same by
26 paying the amount in question. Any amounts paid by OPAL hereunder
in respect of such liens shall be deemed to be an additional Land
Lease Fee payable by Lessee upon demand.

7.5 MAINTENANCE: Lessee shall, at Lessee's sole expense,
maintain the Leased Land and all buildings and Improvements in
accordance with all applicable laws, rules, ordinances, orders and
regulations of all governmental agencies and entities with
jurisdiction and all insurance companies insuring all or any part
of the Leased Land, Premises or Improvements. OPAL shall not be
required to furnish any services or facilities, including but not
limited to heat, electricity, air conditioning or water, or to make
any repairs to the Leased Land or Improvements, and Lessee hereby
assumes the full and sole responsibility for furnishing all
services or facilities.

7.6 DISPOSITION OF IMPROVEMENTS UPON EXPIRATION OF LEASE
TERM: Upon the expiration of the term hereof as such term may be
extended or sooner terminated in accordance with this Lease, Lessee
shall yield up and surrender the Improvements together with the
Leased Land to OPAL. The title to the Improvements shall thereupon
revert to OPAL.

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2 ARTICLE VIII: FINANCING

3 8.1 PERMITTED MORTGAGE(S) ONLY: Lessee may mortgage, pledge,
4 or encumber the Leased Land or any portion thereof or interest
5 therein only pursuant to a Permitted Mortgage. OPAL specifically
6 consents to such Permitted Mortgage. A "Permitted Mortgage" shall
7 be a mortgage or deed of trust:

8 (a) which shall run in favor of either (a) a so-called
9 "institutional lender" such as, but not limited to, a federal,
10 state, local housing finance agency, or a bank (including savings
11 and loan association), an insurance company, a pension and/or
12 profit-sharing fund or trust, or procedures of which institutional
13 lender are subject to direct governmental supervision, of (b) a
14 "community loan fund", or similar non-profit lender to housing
15 projects for low and moderate income persons (as defined by
16 reference to the membership criteria for the National Association
17 of Community Development Loan Funds, a non-profit corporation
18 currently affiliated with the Institute for Community Economics of
19 Springfield, MA) and which are a first lien on all or any of the
20 Improvements (the "Security");

21 (b) which shall provide, among other things, that in the
22 event of a default in any of the mortgagor's obligations
23 thereunder, the holder of the Permitted Mortgage shall notify OPAL
24 of such fact and OPAL shall have the right (but shall not have the
25 obligation) within 130 days after its receipt of such notice, to
26 cure such default in the mortgagor's name and on mortgagor's
behalf, provided that current payments due the holder during such
120 day period (or such lesser time period as may have been
required to cure such default) are made to the holder, and shall
further provide that said holder shall not have the right, unless
such default shall not have been cured within such time, to
accelerate the note secured by such Permitted Mortgage or to
foreclose under the Permitted Mortgage on account of such default;

(c) which shall provide, among other things, that if after
such cure period the holder intends to accelerate the note secured
by such Permitted Mortgage or initiate foreclosure proceedings
under the Permitted Mortgage, all in accordance with the Section
8.1, the holder shall first notify OPAL of its intention to do so
and OPAL shall have the right, but not the obligation, upon
notifying the holder within thirty (30) days of receipts of said
notice from said holder, to pay off the indebtedness secured by the
Permitted Mortgage and to have the note evidencing the indebtedness
endorsed to OPAL without recourse and the mortgage assigned to
OPAL; and

1 (d) which shall provide that such holder will use reasonable
2 efforts to sell the Security pursuant to any sale after or in lieu
3 of foreclosure to a purchaser who is a Low or Moderate Income
4 Resident, as applicable. It is not the intent of this paragraph to
5 adversely affect the market value of the security, but rather to
6 assure the parties that the character of the Premises is maintained
7 as low and moderate income housing.

8 8.2 LESSOR'S CONSENT TO PERMITTED MORTGAGE: Not less than
9 thirty (30) days prior to the date on which Lessee shall request
10 OPAL's consent to a mortgage to be effective, Lessee shall furnish
11 to OPAL true and correct copies of each and every document and
12 instrument to be executed in connection with the transaction
13 represented by such mortgage. Notwithstanding anything to the
14 contrary contained herein, OPAL shall not be required to consent to
15 such mortgage unless:

16 (a) the mortgage so submitted shall be a Permitted Mortgage
17 as defined by the provisions hereof;

18 (b) at the time of such submission and at the time proposed
19 by Lessee for the execution of such documents, no default shall
20 then be outstanding under the terms of the Lease;

21 (c) such Permitted Mortgage and related documentation shall
22 contain no provisions other than provisions generally contained in
23 mortgages used for similar transactions in the State of Washington
24 by institutional mortgages;

25 (d) Such Permitted Mortgage and related documentation shall
26 contain no provisions which shall or could be construed as
rendering OPAL or any subsequent holder of OPAL's interest in and
to this Ground Lease, or their respective heirs, executors,
successors or assigns, personally liable for the payment of the
debt evidenced by such note and Permitted Mortgage or any part
thereof;

(e) such Permitted Mortgage and related documentation shall
contain provisions to the effect that the holder of the Permitted
Mortgage (a "Permitted Mortgagee") shall not look to OPAL nor
OPAL's interest in the Premises, but will look solely to Lessee,
the leasehold estate created hereby, Improvements, or such other
buildings and improvements which may from time to time exist on the
Leased Land, for the payment of the debt secured thereby or any
part thereof. It is the intention of the parties hereto that OPAL
shall consent to such Permitted Mortgage for the sole and exclusive
purpose of allowing Lessee to obtain financing for the acquisition,

1 construction, or rehabilitation of the improvements on the Leased
2 Land without any liability on the part of OPAL for any deficiency
judgment;

3 (f) in the event any part of the Security is taken in
4 condemnation or by right of eminent domain, the proceeds of the
award shall be paid over by the holder of the Permitted Mortgage in
5 accordance with the provisions of ARTICLE IX hereof;

6 (g) nothing contained in the Permitted Mortgage or such
7 related documentation shall obligate OPAL to execute an assignment
of the rent payable by Lessee to it under the term of this Ground
Lease.

8 8.3 RIGHTS OF PERMITTED MORTGAGEE: A Permitted Mortgagee
9 shall have the right, but not the obligation, without requirement
of consent by OPAL to:

10 (a) cure any default under this Ground Lease, and to perform
11 any obligation required hereunder, and any such cure or performance
12 by a Permitted Mortgagee shall be effective as if the same had been
undertaken and performed by Lessee; and

13 (b) after compliance with Article 8.1 to foreclose or
14 otherwise acquire and convey, assign, transfer and exercise any
15 right, remedy, or privilege granted to Lessee by this Ground Lease
16 or otherwise by law, subject to the provisions, if any in said
Permitted Mortgage, limiting any exercise of any such right, remedy
or privilege; and

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

19 (d) the Permitted Mortgagee after acquiring the Leased Land
20 may occupy the same or sublet or sell for cash or credit to an
Eligible Transferee.

21 Permitted Mortgagee shall not, as a condition to the exercise
22 of its rights hereunder, be required to assume personal liability
23 for the payment and performance of the obligations of Lessee
24 hereunder. Any such payment or performance or other act by
25 Permitted Mortgagee hereunder shall not be construed as an
26 agreement by Permitted Mortgagee to assume such personal liability
except to the extent Permitted Mortgagee actually takes possession
of the Security and the premises or collects fees or rentals from
Unit Owners; provided, however, that in the event the Permitted
Mortgagee transfers the Security, any such transferee shall be

1 required to enter into a written agreement assuming such personal
 2 liability and upon any such assumption the Permitted Mortgagee
 shall automatically be released from personal liability hereunder.

3 In the event that title to the estates of both OPAL and Lessee
 4 shall be acquired at any time by the same person or persons, no
 merger of said estates shall occur without the prior written
 5 declarations of the person or persons owning both estates.

6 8.4 APPROVAL OF AMENDMENTS: Any amendments to this Ground
 Lease shall be subject to the written approval of Permitted
 7 Mortgagee, which shall not be unreasonably withheld or delayed.

8 8.5 NEW LEASE TO PERMITTED MORTGAGEE: If this Lease shall be
 terminated for any reason, or in the event of the rejection or
 9 disaffirmation of the Lease pursuant to bankruptcy law or other law
 affecting creditors' rights, OPAL will enter into a new lease of
 10 the Leased Premises with the Permitted Mortgagee (or with any party
 designated by the Permitted Mortgagee subject to OPAL's approval,
 11 which approval shall not be unreasonably withheld), not more than
 thirty (30) days after the request of the Permitted Mortgagee.
 12 Such lease shall be for the remainder of the term of the Lease,
 effective as of the date of such termination, rejection or
 13 disaffirmation, and upon all the terms and provisions contained in
 the Lease. However, the Permitted Mortgagee shall make a written
 14 request to OPAL for such new lease within sixty (60) days after the
 effective date of such termination, rejection or disaffirmation, as
 15 the case may be, and such written request shall be accompanied by a
 copy of such new lease, duly executed and acknowledged by the
 16 Permitted Mortgagee or the party designated by the Permitted
 Mortgagee to be Lessee thereunder, and the Permitted Mortgagee
 17 shall have cured all defaults under the Lease which can be cured by
 the payment of money. Any new lease made pursuant to this Section
 18 shall have the same priority with respect to other interests in the
 Premises as the Lease. The provisions of this Section shall
 19 survive the termination, rejection or disaffirmation of the Lease
 and shall continue in full effect thereafter to the same extent as
 20 if this Section were independent and an independent contract made
 by OPAL, Lessee and the Permitted Mortgagee.
 21

22 8.6 NO TERMINATION DURING FORECLOSURE: OPAL shall have no
 right to terminate this Ground Lease if the Permitted Mortgagee is
 23 commencing foreclosure in accordance with provisions hereof and is
 24 diligently pursuing the same.

25 8.7 PROVISIONS SUBJECT TO FORECLOSURE: In the event of a
 foreclosure by a Permitted Mortgagee or the delivery of a deed to a
 26 Permitted Mortgagee in lieu of foreclosure in accordance with the

1 provisions hereof, at the election of the Permitted Mortgagee the
 2 provisions of ARTICLE X, Sections 10.1 through 10.13 shall be
 3 deleted and thereupon shall be of no further force or effect as to
 only so much of the Security so foreclosed upon or transferred.

4 8.8 SPECIAL PROVISIONS FOR FmHA MORTGAGES OR DEEDS OF TRUST:
 A mortgage or deed of trust which shall run in favor of the Farmers
 Home Administration ("FmHA") shall be a Permitted Mortgage.
 5 Notwithstanding any of the above provisions to the contrary in the
 6 event that the Lessee obtains a Loan from the FmHA the following
 provisions shall apply.

7 (a) The Lessee's Leasehold interest shall not be subject to
 8 summary forfeiture or cancellation by OPAL;

9 (b) OPAL shall give FmHA at least 90 days written advance
 notice of its intention to cancel or terminate the Lease and
 10 provide FmHA with a right, within that period, to cure the default
 and preserve the Lease;

11 (c) The Lessee may transfer the leasehold, subject to the
 12 FmHA mortgage, to an eligible transferee (as that term is defined
 13 by FmHA;

14 (d) FmHA may foreclose its mortgage and sell without
 restrictions that would affect adversely the market value of the
 15 security;

16 (e) FmHA may bid at the foreclosure sale or accept the
 voluntary conveyance of the security in lieu of foreclosure;

17 (f) FmHA may occupy the property, sublet it, or sell it for
 18 cash or credit; and

19 (g) If the property is sold for credit, FmHA may take a
 mortgage with rights similar to those under the original mortgage.

20 Any provisions of this Lease in conflict with FmHA Instruments or
 21 regulations shall be deemed stricken in regards to mortgages or
 22 deeds of trust held by the FmHA.

23 8.9 NOTICE: Whenever in this ARTICLE notice is to be given
 to Permitted Mortgagee, such notice shall be given in the manner
 24 set forth in ARTICLE XV, Section 15.2 hereof to the Permitted
 Mortgagee at the address given by the Permitted Mortgagee to OPAL
 25 by written notice to OPAL sent in the manner set forth in said
 Section 15.2 hereof.
 26

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1 ARTICLE IX: LIABILITY, INSURANCE, DAMAGE, EMINENT DOMAIN

2 9.1 LESSEE'S LIABILITY: From and after the date hereof,
3 Lessee assumes sole responsibility and liability to any and all
4 persons and authorities related to its possession, occupancy and
5 use of Leased Land.

6 9.2 INDEMNIFICATION OF LESSOR: Lessee shall defend,
7 indemnify and hold OPAL harmless against all liability and claims
8 of liability for damage or injury to person or property from any
9 cause on or about the Leased Premises. Lessee waives all claims
10 against OPAL for damage or injury to Person or Property on or about
11 the Leased Land arising, or asserted to have arisen, on or about
12 the Leased Land from any cause whatsoever. Notwithstanding the
13 foregoing two sentences, OPAL shall remain liable (and Lessee shall
14 not indemnify and defend OPAL against nor waive such claims of
15 liability) for damage or injury due to the grossly negligent or
16 intentional acts or omissions of OPAL or OPAL's agents or
17 employees. In the event FmHA or any government entity succeeds to
18 the Lessee's estate by foreclosure, deed in lieu or otherwise, this
19 section shall not apply to the FmHA or government entity.

20 9.3 PAYMENT BY LESSOR: In the event OPAL shall be required
21 to pay any sum whatsoever which is Lessee's responsibility or
22 liability, Lessee shall reimburse OPAL therefore and for reasonable
23 expenses caused thereby.

24 9.4 INSURANCE:

25 (a) Insurance Coverage of Premises: Lessee shall, at
26 Lessee's sole expense, keep all Improvements continuously insured
against loss or damage by fire and add the extended coverage for
the full replacement value of such Improvements.

27 (b) Bodily Injury Liability Insurance: Lessee shall, at
28 Lessee's sole expense, maintain continuously in effect bodily
injury liability insurance covering the Leased Land and its
Improvements and appurtenances in the amounts of not less than
_____ Dollars (\$_____) for injury to or death of any one person;
and _____ Dollars (\$_____) for injury to and death of any number
of persons in one occurrence; and _____ Dollars
(\$_____) for property damage.

The dollar amount of each such coverage shall be adjusted at
least every two (2) years from the date hereof or upon OPAL's
demand given not more often than annually, upon 30 days notice to
Lessee. This adjustment shall be equal to the percentage of change
(positive or negative) over the period since the last adjustment in

1 the Consumer Price Index for rural areas the size of Orcas Island.
2 Such index is maintained by the Office of Prices and Living
3 Conditions of the Bureau of Labor Statistics, of the U.S.
4 Department of Labor.

5 Such insurance shall specifically insure Lessee against all
6 liability assumed hereunder, as well as all liability imposed by
7 law, and shall also insure OPAL as an additional insured so to
8 create the same liability on the part of insurer as though separate
9 policies had been written for OPAL and Lessee.

10 (c) Lessee shall provide OPAL with copies of all policies and
11 renewals thereof. All policies shall also contain endorsements
12 providing that they shall not be canceled, reduced in amount or
13 coverage or otherwise modified by the insurance carrier involved
14 without not less than thirty (30) days prior written notice being
15 given to OPAL. OPAL shall be entitled to participate in the
16 settlement or adjustment of any losses covered by such policies of
17 insurance.

18 9.5 DAMAGE OR DESTRUCTION: In the event of fire or other
19 casualty to any Improvements, Lessee shall forthwith commence, and
20 thereafter diligently and continuously prosecute to completion, the
21 repair of such damage and the restoration of such Improvements to
22 their condition immediately prior to such damage. All such repairs
23 and restoration shall be completed as promptly as possible. Lessee
24 shall also promptly take all steps necessary to assure that the
25 Leased Land shall be and remain safe and the damaged Improvements
26 not constitute a hazard or danger to persons or property from the
time of the fire or other casualty.

17 In no event shall the Land Lease Fee be suspended or abated,
18 unless OPAL, in its sole discretion, decides to do so in
19 consideration of the personal hardship or incapacity of Lessee.
20 The intent of this section is to foster perpetual occupancy by Low
21 or Moderate Income Residents (as defined below) despite the
22 occurrence of unforeseeable financial and personal hardship.

23 If not later than sixty (60) days after the occurrence of a
24 fire or other casualty which causes substantial damage to the
25 Improvements, Lessee, using reasonable judgment and in reliance
26 upon professional estimates and advice determines that such full
repair and/or restoration is either (a) physically impossible, or
(b) provided that Lessee has fulfilled all of the hazard insurance
requirements set forth in Section 9.4 hereof, the available
insurance proceeds are not more than eighty percent (80%) of the
cost of such repair and/or restoration, Lessee may terminate this
Lease by written notice to OPAL given within such sixty (60) day

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1 time period. Such termination notice shall not, however, be
2 effective until sixty (60) days after the date upon which it is
3 received by OPAL, during which time OPAL shall have the opportunity
4 to seek an adjustment from the insurer so as to increase the amount
5 of available insurance proceeds, arrange for such repair and/or
6 restoration at a cost sufficiently low so as to avoid condition (b)
7 of the preceding sentence, or design a partial restoration of the
8 Improvements which would be reasonably equivalent quality and floor
9 area to not less than eighty percent (80%) of the Improvements as
10 they existed immediately prior to such fire or other casualty; and
11 in any of the foregoing cases, by written notice of such action to
12 Lessee within such additional sixty (60) day period OPAL may render
13 Lessee's termination notice null and void. If OPAL shall fail to so
14 nullify the termination notice, then this Lease shall terminate at
15 the expiration of such sixty (60) day period after OPAL's receipt
16 of Lessee's termination notice, and any proceeds of insurance
17 payable to Lessee on account of such fire or other casualty shall
18 be paid as follows:

19 Such proceeds shall be first paid to the Permitted Mortgagee
20 to the extent of its debt. The balance shall be allocated between
21 Lessee and OPAL according to the same proportion as that of the
22 relative values of (i) the Improvements prior to such casualty, as
23 encumbered by this Lease (including the limitation on sale price
24 set forth in ARTICLE X hereof), to (ii) the total market value of
25 all of the Land, Improvements and other property located on the
26 Leased Premises (similarly so measured prior to such casualty),
less the value of the Land, Improvements and other property located
on the Leased Premises measured after such casualty as of the time
of termination.

17 9.6 EMINENT DOMAIN AND PUBLIC DEDICATION: In the event of:
18 (a) A taking of the entire Leased Land by reason of eminent domain
19 or other action of public authority prior to the expiration of the
20 term of this Lease, this Lease shall terminate as of the date
21 Lessee is thereby required to give up possession of the Leased
22 Land, and the entire amount of any award(s) paid shall be allocated
23 as follows:

24 Said award(s) shall be first paid to the permitted
25 mortgagee(s) to the extent of their indebtedness. The balance
26 shall be allocated between Lessee and OPAL according to the same
proportion as that of the relative values of (i) the Improvements
prior to such casualty, as encumbered by this Lease (including the
limitation on sale price set forth in ARTICLE X hereof), to (ii)
the total market value of all of the Leased Land, Improvements and
other property located on the Premises measured after such casualty
as of the time of termination. Notwithstanding the generality of

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1 the foregoing, in any event Lessee shall not receive an amount in
2 excess of the sale price of the Improvements permitted hereunder.

3 (b) A taking (as aforesaid) of less than the entire Leased
4 Land, then the proceeds paid or payable by reason of such taking
5 shall be allocated as follows:

6 (i) If the Improvements may reasonably be restored to a
7 residential use consistent with this ground lease, OPAL may in its
8 discretion allocate some or all of the proceeds to enable Lessee to
9 repair and restore that which may remain thereof.

10 (ii) Any remainder after the use of such proceeds as set forth
11 in (i) above shall be paid over in accordance with an allocation
12 made as provided above in part (a) of this Section.

13 Any and all proceedings brought by Lessee in connection with
14 the claim or claims for damages as a result of any taking referred
15 to in this Section shall be conducted by and at the sole expense of
16 Lessee. If any provision of law now or hereafter in effect shall
17 require that said proceedings be brought by or in the name of any
18 owner of the premises, OPAL shall join in such proceedings or
19 permit the same to be brought in its name. OPAL covenants and
20 agrees to do any and all acts and to execute any and all documents
21 which may be required to enable Lessee to maintain such
22 proceedings. If OPAL shall incur any cost or expense in connection
23 with such proceedings, OPAL shall be entitle to reimbursement for
24 the reasonable amount thereof and same shall likewise constitute a
25 first charge against any award.

26 9.7 RELOCATION OF LESSEE: In the event of a termination of
this Lease by reason of damage, casualty or taking, OPAL may, but
shall not be obligated to, grant Lessee a leasehold interest in
another tract within the Premises, if such other tract is available
and Lessee agrees to contribute any proceeds or award received by
Lessee to purchase or develop such other property and enter a Lease
substantially similar to this one. In no event shall OPAL be
required to terminate the tenancy of any other lessee or withhold
any property from development or rental so as accommodate Lessee,
and OPAL's failure to supply similar leasehold or any portion of
the premises whatsoever shall not give rise to any cause of action
by Lessee against OPAL for damages, specific performance or other
remedy.

ARTICLE X: TRANSFER, SALE OR DISPOSITION OF IMPROVEMENTS

10.1 INTENT AND EFFECT: The terms and conditions of this
ARTICLE have been freely accepted by the parties, each with the

1 independent and informed advice of legal counsel. The provision
 2 and restrictions contained herein exist to further the mutual
 3 purpose and goals of OPAL and Lessee set forth herein to create and
 4 preserve access to land, decent and affordable housing and home
 5 ownership opportunities for low and moderate-income people who are
 6 often denied such opportunities for lack of financial resources.
 7 It is the express understanding and intent of the parties that the
 8 terms and conditions hereof will enhance the marketability of any
 9 Improvements on the Leased Land by making them affordable to low
 10 and moderate-income families who, absent such provisions, would be
 11 unable to afford them.

12
 13 10.2 TRANSFERS TO LOW OR MODERATE INCOME RESIDENTS: Lessee
 14 may sell, transfer, or otherwise dispose of its interest in the
 15 Leased Land or the Improvements directly to any Eligible Transferee
 16 (hereinafter defined). Any purported sale, transfer or other
 17 disposition to any other person or entity done without following
 18 the procedures set forth below or in violation of such price
 19 limitations, except in the case of a sale, transfer or other
 20 disposition to a Permitted Mortgagee in lieu of foreclosure in
 21 accordance with the terms hereof, shall be null and void. An
 22 Eligible Transferee shall be a low or moderate income resident as
 23 hereinafter defined.

24 Low Income Residents shall mean a person or group of persons
 25 whose combined income does not exceed fifty percent (50%), and
 26 Moderate Income Residents shall mean a person or group of persons
 whose combined income does not exceed eighty percent (80%), of the
 median income for the San Juan County Standard Metropolitan
 Statistical Area ("SMSA") for such number of persons, as determined
 from time to time by the Department of Housing and Urban
 Development (HUD) or any successor thereto, or such lesser
 percentages of median income as required for eligibility from time
 to time for the so-called Section 8 rental subsidy program
 administered by HUD.

20 10.3 TRANSFER TO LESSEE'S HEIRS: Upon receipt of notice given
 21 within ninety (90) days of the death of a Lessee (or the last
 22 surviving co-owner of the Improvements) OPAL shall consent to a
 23 transfer of the Improvements and an assumption of this Lease to and
 by the heirs, successors and assigns if they otherwise meet the
 qualifications of paragraph 10.2.

24 If any such heir, successor or assign is unable to meet the
 25 qualifications set forth in paragraph 10.2, then such person shall
 26 not be entitled to possession of the Leased Land but must transfer
 the Leased Land in accordance with the provisions of paragraph
 10.4.

1
2 10.4 NOTICE TO LESSOR: Except in the case of a sale, transfer
3 or other disposition to a Permitted Mortgagee in lieu of
4 foreclosure, in each event that Lessee contemplates an assignment
5 of its interest herein or a sale, transfer or disposition of the
6 Improvements to a third party, then not less than sixty (60) days
7 prior to the contemplated closing thereof, Lessee shall give OPAL
8 notice thereof substantially in the form of Exhibit G BUYER annexed
9 hereto and incorporated herein by reference. Such notice shall
10 include the following or comparable items: (1) the tax return of
11 the assignee or buyer for the immediately preceding year; (2) a
12 current verification of assignee's or buyer's employment; (3) the
13 pay stubs of the assignee or buyer for the three months immediately
14 preceding the month in which notice is given to the Landlords; and
15 (4) a statement of the terms of sale, including a copy of the
16 Appraisal as set forth in Section 10.7; and (5) a Letter of
17 Stipulation from such assignee or buyer and a Letter of
18 Acknowledgment in form and substantially similar to that of
19 Exhibit B hereto.

20
21 No assignment, sale, transfer or other disposition shall be
22 effective unless and until (a) such notice and accompanying
23 documentation are received by OPAL as aforesaid, and (b) (i) OPAL
24 confirms in writing within forty-five (45) days of receipt that
25 such assignee or buyer is a Low or Moderate Income Resident and
26 that the terms of sale are permitted under this Lease, or (ii) OPAL
fails to respond in writing within forty-five (45) days of its
receipt of such notice, in which case such failure on the part of
OPAL shall be deemed to constitute confirmation of such status.

17 If Lessee has no specific person intended or committed to
18 purchase the improvements, then Lessee shall give OPAL notice that
19 such will be offered for sale substantially in the form of
20 Exhibit G INTENT TO SELL annexed hereto and incorporated herein by
21 reference. Notice shall contain a detailed listing of the terms
22 and conditions of such intended sale. Within ninety (90) days of
23 OPAL's receipt of notice, OPAL shall either:

24 (a) exercise its option to purchase on the terms and within
25 the time period set forth in Section 10.5 and 10.6 below; or

26 (b) locate an interested buyer and obtain from such buyer a
binding commitment to purchase from Lessee; or

(c) notify Lessee that Lessee is free to sell the
Improvements in the open market (a) to any party, (b) at not more
than the then applicable Index Option Price (as defined below).

1 10.5 LESSOR'S OPTION TO PURCHASE: Upon receipt of the Intent
2 to Sell Notice given in accordance with Section 10.4 above, OPAL
3 shall have the option to purchase said Improvements at the Index
4 Option Price set forth in Section 10.7. Such price is designed to
5 ensure the affordability to succeeding Low and Moderate Income
6 Resident families while taking fair account of the investment of
7 labor and capital by Lessee.

8 10.6 PERIOD FOR EXERCISE: If OPAL shall elect to exercise the
9 purchase option set forth in Section 10.5, OPAL shall: (i) notify
10 Lessee of its election to purchase within ninety (90) days of the
11 receipt of the Intent to Sell Notice, which notice of election
12 shall include OPAL's determination of the Index Option Price; and
13 (ii) exercise the foregoing option to purchase within one hundred
14 and twenty (120) days of OPAL's receipt of the Intent to Sell
15 Notice, or its option will expire.

16 10.7 PURCHASE OPTION PRICE: Within 20 days of the giving of
17 either the Lessee's Intent to Sell Notice or Buyer Notice in
18 accordance with Section 10.4, Lessee shall submit to Lessor, at
19 Lessee's expense, an appraisal (the "Appraisal") of the
20 Improvements by an independent licensed appraiser. Upon receipt of
21 the Appraisal from Lessee (a) Lessor shall either accept the
22 Appraisal as accurately representing the market value of the
23 Improvements for purposes of calculating the Index Option Price, or
24 (b) if Lessor is exercising its option to purchase the Improvements
25 and believes the market value of the Improvements is less than the
26 amount stated in the Appraisal submitted by Lessee, then Lessor
shall commission a second appraisal by a licensed appraiser, at
Lessor's expense, and submit a copy of this second appraiser's
report to Lessee within forty-five (45) days of the giving of the
Intent to Sell Notice. If a second appraisal is commissioned, the
amount to be used in determining the market value of the
Improvements shall be the average of the two appraised values
reported by the tax appraisers. The Lessee's Index Option Price
shall be the lessor of (a) the market value of the Improvements as
determined according to this paragraph, or (b) the Index Option
Price according to the formula set out in Exhibit H.

27 10.8 RECORDS:

28 (a) ORIGINAL VALUE: OPAL and Lessee hereby agree that the
29 fair market value of the Improvements and the Leasehold Interest
30 existing on the Leased Land as of the commencement of the term of
31 this Ground Lease is _____ (the "Original Value"). In order to
32 account for the value of Lessee's equity in the Improvements,
33 Lessee shall keep detailed records and receipts of the actual cost
34 of any improvements or repairs (the "Work"). Promptly upon

1 completion of any Work, OPAL shall determine a value (the "Added
2 Value") for the increase in the value of the Improvements
3 attributable to the Work, which shall not be less than the actual
4 verified cost of the Work.

5 (b) APPRAISAL: In the event Lessee and OPAL cannot arrive at
6 a mutually agreed Added Value within thirty (30) days following
7 completion of the Work, Lessee and OPAL shall select a mutually
8 agreeable appraiser who shall determine the Added Value.

9 10.9 PREVALUATION OF ADDED VALUE: At any time, prior to
10 performing any Work, in order to avoid any uncertainty as to
11 allowable Added Value for such Work, Lessee may obtain from OPAL a
12 prevaluation of the increase in the IOP which will, with the
13 limitation specified in Section 10.10 below, result from the Work.

14 To obtain such a prevaluation, Lessee must submit to OPAL
15 detailed plans and an itemization of expected costs for the Work.
16 Within fifteen (15) days of receiving the plans and costs, OPAL
17 must notify Lessee of the prevaluation of the increase in the IOP
18 which OPAL agrees would result from the Work. If OPAL fails to
19 respond within twenty (20) days, then the prevaluation will be
20 equal to the total itemized costs.

21 At the time of updating the IOP, the Added Value for such Work
22 shall be the lesser of (i) the prevaluation increase or (ii) the
23 actual documented costs for the Work.

24 10.10 QUALIFIED IMPROVEMENTS AND REPAIRS: In general,
25 improvements and repairs qualified for consideration in the IOP
26 calculation shall include:

27 All buildings, structures and improvements, foundations,
28 footings, driveways, roads, utilities, pavings, landscaping,
29 fixtures, and permanently installed equipments in, upon, under or
30 over the land, including but without limiting the generality of the
31 foregoing, all furnaces, piping, wiring, connections, conduits,
32 ducts, equipment, partitions, screens, awnings, windows, doors, and
33 blinds, together with any and all repairs, renewals and
34 replacements thereof or additions thereto or substitutes therefor;
35 provided, however, that if the particular item of any of the
36 foregoing is of luxury quality, OPAL may allow only for the usual
37 cost of the non-luxury version of the item.

38 The improvements or repairs not qualified for consideration in
39 determining the IOP shall include but not be limited to
40 housecleaning, yardwork, and all improvements and repairs for which

1 reimbursement was, could be or could have been obtained from
 2 insurance or other third party.

3 10.11 DOCUMENTING COSTS OF IMPROVEMENT: Lessee shall
 4 document costs and expenses of Work by means of detailed receipts
 5 and invoices for materials and labor, including receipts for barter
 6 goods and services, or by other documentation reasonably acceptable
 7 to OPAL.

8 If Lessee contributes some or all of the labor for an
 9 improvement or repair, the documentation thereof shall state the
 10 number of hours spent on each of the major phases of the Work, and
 11 Lessee's valuation of the labor.

12 OPAL may perform a site visit to verify the quality and state
 13 of completion of Work. OPAL reserves the right to use an
 14 independent appraisal of Work where costs are much in excess of the
 15 trade standards for similar work in the local area.

16 10.12 LESSEE'S FAILURE TO SELL: In the event OPAL does
 17 not exercise its option to purchase as set forth above, and Lessee
 18 continues to hold the Improvements for sale but is unable to locate
 19 a buyer and execute a binding purchase and sale agreement within
 20 one hundred eighty (180) days of the giving of the Intent to Sell
 21 Notice, such shall be deemed an event of default and the lease
 22 shall be terminated pursuant to Article XII.

23 10.13 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the
 24 provisions of Lessor's Option to Purchase as set forth in
 25 Section 10.5, for any reason, become unenforceable, OPAL shall
 26 nevertheless have a right of first refusal to purchase the
 improvements at the highest documented bona fide purchase price
 offer made to Lessee. Such right shall be as specified in
 Exhibit D FIRST REFUSAL annexed hereto and incorporated herein.
 Any sale or transfer contrary to this Section, when applicable,
 shall be null and void.

10.14 SATISFACTION OF FmHA OBLIGATIONS: Since OPAL is not
 an eligible transferee under FmHA regulations in the event that
 OPAL elects to exercise its option under this article on any Leased
 Land or Improvements that are subject to a FmHA security interest,
 OPAL must first satisfy the obligation to the FmHA.

ARTICLE XI: ASSIGNMENT AND SUBLEASE

Except as otherwise provided in ARTICLE VIII regarding the
 Permitted Mortgages and ARTICLE X, regarding transfers, Lessee
 shall not assign, sublease, sell or otherwise convey any of

1 Lessee's rights under this Lease without prior written consent of
 2 OPAL. Lessee agrees that OPAL shall have broad and full discretion
 3 to withhold such consent in order to further the mutual purposes
 4 and goals set forth herein. If permission is granted, any
 5 assignment or subleases shall be subject to the following
 6 conditions:

7 (a) any such assignment or sublease shall be subject to all
 8 of the terms and provisions of this Lease;

9 (b) in the case of a sublease, the rental or occupancy fee
 10 charged the sublessee shall not be more than that charged Lessee by
 11 OPAL, and;

12 (c) in the case of an assignment, the total consideration for
 13 such assignment and the related sale or transfer of the
 14 Improvements shall not exceed the Index Option Price as calculated
 15 in accordance with ARTICLE X hereof.

16 ARTICLE XII: DEFAULT

17 12.1 EVENTS OF DEFAULT: It shall be an Event of Default if:

18 (a) Lessee shall fail to pay the Land Lease Fee or other
 19 charges for which provision is made herein within thirty (30) days
 20 after OPAL has sent to Lessee notice of such default and such
 21 default is not cured by any Permitted Mortgagee within ninety (90)
 22 days after a subsequent notice from OPAL to such Permitted
 23 Mortgagee of Lessee's failure to cure such default within the
 24 initial thirty (30) day grace period. However, if Lessee shall
 25 make a good faith partial payment of at least two-thirds (2/3) of
 26 the Land Lease Fee during such initial thirty (30) day grace
 period, then such period shall be extended one additional thirty
 (30) day period; or

(b) Lessee shall fail to perform or observe any other
 material term or condition of this Lease, and such failure is not
 cured by Lessee or a Permitted Mortgagee within sixty (60) days
 after notice thereof from OPAL to Lessee and such Permitted
 Mortgagee. However, in the case where Lessee or a Permitted
 Mortgagee has commenced to cure such default within such sixty (60)
 day period and is continuing such cure with all reasonable due
 diligence but cannot by the exercise of due diligence cure such
 default within such period, such period shall be extended for such
 additional period as may be reasonable under the circumstances (up
 to an additional 60 days); or

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1 (c) if the estate hereby created shall be taken on execution
2 or by other process of law, or if any assignment shall be made of
3 the property of Lessee for the benefit of creditors, or if a
4 receiver, guardian, conservator, or other similar office shall be
5 appointed to take charge of all or any substantial part of Lessee's
6 property by a court of competent jurisdiction; or

7 (d) Lessee's failure to sell pursuant to Article 10.12.

8 In any of said cases OPAL may, immediately or at any time
9 thereafter, terminate this Lease and initiate summary proceedings
10 against Lessee.

11 If OPAL shall elect to terminate the Lease pursuant to any
12 provision thereof, then the Permitted Mortgagee shall have the
13 right (subject to OPAL's rights under ARTICLE VIII above) to
14 postpone and extend the specified date for the termination of the
15 Lease for a period of time sufficient to enable the Permitted
16 Mortgagee or its designee to acquire Lessee's interest in the Lease
17 by foreclosure of its mortgage or otherwise.

18 OPAL shall keep up-to-date record of suitable applicants who
19 desire to take over a Lease in the case of default by any existing
20 Lessee. In such a case, OPAL would submit names of parties
21 interested in and capable of assuming both Land Lease and Permitted
22 Mortgage.

23 ARTICLE XIII: ARBITRATION

24 13.1 ARBITRATION PROCESS: Should any grievance or dispute
25 other than the events of default in Article XII arise between OPAL
26 and Lessee concerning the terms of this Lease which cannot be
resolved by normal interaction, the following arbitration procedure
shall be used:

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

The arbitrator or arbitrators shall hold a hearing within
thirty (30) days after the initial written notice by the initiator
of the arbitration process. At the hearing OPAL and Lessee shall

1 have an opportunity to present evidence and question witnesses in
2 the presence of each other.

3 As soon as reasonably possible, and in no event later than
4 fifteen (15) days after the hearing, the arbitration panel shall
5 make a written report to OPAL and Lessee of its findings and
6 decisions, including a personal statement by each arbitrator of
7 his/her decision and the accordance with the substantive law of the
jurisdiction and what is just and equitable under the
circumstances. The decisions and awards of the majority of the
arbitration panel shall be binding and final between OPAL and
Lessee.

8 This arbitration provision shall not apply to or be binding on
9 the FmHA.

10 ARTICLE XIV: OPAL LEASEHOLDER ASSOCIATION

11 14.1 IN GENERAL: By entering into this Lease, Lessee agrees
12 to join and participate in the OPAL Leaseholder Association and to
13 be bound to all reasonable rules, terms and conditions of the OPAL
14 Leaseholder Association. Lessee understands that substantial or
repeated violations of the reasonable rules, terms and conditions
of the OPAL Leaseholder Association may be considered an event of
default of the Ground Lease between Lessee and OPAL, as Lessor.

15 14.2 CONDITIONS OF ENFORCEMENT: Rules, terms and conditions
16 of the OPAL Leaseholder Association are enforceable against Lessee
only if:

17 (a) Their purpose is to promote the general purposes of OPAL
18 and the convenience, safety, or welfare of leaseholders, protect
19 and preserve common premises and grounds from abusive use, or make
a fair distribution of services and facilities available for the
leaseholders generally;

20 (b) They are related to the purpose for which they are
21 adopted;

22 (c) They apply to all leaseholders in a fair manner;

23 (d) They are not for the purpose of evading an obligation of
24 either the OPAL Leaseholder Association or OPAL;

25 (e) They are not retaliatory or discriminatory in nature; and
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1 (f) They are sufficiently explicit in prohibition, direction,
2 or limitation of the leaseholder's conduct to fairly inform the
leaseholders of what the leaseholders must do to comply.

3 14.3 ADOPTION OF RULES, TERMS AND CONDITIONS: At least thirty
4 (30) days written notice must be provided to all leaseholders
before any vote by leaseholders on any changes, additions,
5 deletions or amendments to the rules, terms and conditions of the
OPAL Leaseholder Association. Rules, terms and conditions of the
6 OPAL Leaseholder Association may be adopted by a three-fourths
(3/4) majority vote of the members of the OPAL Leaseholder
7 Association. Ample opportunity must be provided for members of the
OPAL Leaseholder and other affected parties to be heard prior to
8 the taking of any vote on any rule, term or condition of the OPAL
Leaseholder Association. Ample opportunity to be heard requires
9 that at least one public meeting be held by the OPAL Leaseholder
Association at a meaningful time in a meaningful manner.

10 14.4 APPROVAL BY OPAL: Any rule, term or condition adopted by
11 the OPAL Leaseholder Association shall be approved by a simple
majority of the Board of Directors of OPAL before it may become
12 effective. Lessee understands that ample notice and opportunity to
be heard before the Board of Directors of OPAL shall be provided
13 before any vote by the Board of Directors of OPAL on any rule, term
14 or condition adopted by the OPAL Leaseholder Association.

15 14.5 CONDITIONS FOR DEFAULT: Lessee understands that any
finding by the OPAL Leaseholder Association that he or she has
16 violated a rule, term or condition of the OPAL Leaseholder
Association may be appealed for review to the Board of Directors of
17 OPAL. The Board of Directors of OPAL shall, after providing ample
notice and opportunity to be heard by all affected parties, affirm,
18 reverse or remand the finding of the OPAL Leaseholder Association.
If the Board affirms the finding of the Leaseholder Association,
19 Lessee and OPAL shall retain and may utilize their rights regarding
an event of default as set forth in ARTICLE XII of this Lease.
20

21 ARTICLE XV: GENERAL PROVISIONS

22 15.1 LESSEE'S MEMBERSHIP IN OPAL: Lessee under this Lease
automatically shall be entitled to membership in OPAL.

23 15.2 NOTICES: Whenever this Lease requires either party to
24 give notice to the other, the notice shall be given in writing and
delivered in person, or mailed, by certified or registered mail,
25 return receipt requested, to the party at the address set forth
below, or such other address designated by like written notice:
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If to OPAL:

OPAL CLT
PO Box 1133
Eastsound, WA 98245

With copy to:

John A. Gose
Preston Thorgrimson Shidler
Gates & Ellis
5000 Columbia Center
701 Fifth Avenue
Seattle, WA 98104-7078

If to Lessee:

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

15.3 NO BROKERAGE: Lessee warrants and represents that it has not dealt with any broker other than _____ in connection with the consummation of this Lease, and in the event any claim is made against Lessee relative to dealing with brokers other than _____, Lessee shall defend the claim against OPAL with counsel of OPAL's selection and save harmless and indemnify OPAL on account of loss, cost or damage which may arise by reason of any such action.

15.4 SEVERABILITY AND DURATION OF: If any clause, Article, Section, paragraph or subparagraph of this Lease shall be unenforceable or invalid, such material shall be read out of this Lease and shall not affect the validity of any other Section, clause, Article, paragraph, or subparagraph, or give rise to any cause of action of either party to this Lease against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law.

It is the intention of the parties that their respective options to purchase and all other rights and options hereunder shall continue in full force and effect for the duration of the term of this lease and any renewal thereof, and such options and other rights shall be considered to be coupled with an interest.

1 In the event any such option or right shall be construed to be
 2 subject to any rule of law limiting the duration thereof, the time
 3 period for the exercise of such option or right shall be construed
 4 to expire twenty (20) years after the death of the last survivor of
 5 the following persons:

6 The children living as of the date hereof of any of directors
 7 or employees of OPAL CLT.

8 15.5 WAIVER: The waiver by OPAL of, or the failure of OPAL to
 9 take action with respect to, any breach of any term, covenant,
 10 condition, provision, restriction, or reservation herein contained,
 11 shall not be deemed to be a waiver of such term, covenant,
 12 condition, provision, restriction, or reservation or subsequent
 13 breach of same, or of any other term, covenant, condition,
 14 provision, restriction, or reservation herein contained. OPAL may
 15 grant waivers in the terms of this Lease, but such must be in
 16 writing and signed by OPAL before being effective.

17 The subsequent acceptance of Land Lease Fee Payments hereunder
 18 by OPAL shall not be deemed to be a waiver of any preceding breach
 19 by Lessee of any term covenant, condition, provision, restriction,
 20 or reservation of this Lease, other than the failure of Lessee to
 21 pay the particular fee so accepted, regardless of OPAL's knowledge
 22 of such preceding breach at the time of acceptance of such payment.

23 15.6 LESSOR'S RIGHT TO PROSECUTE OR DEFEND: OPAL shall have
 24 the right, but shall be under no duty or obligation, to prosecute
 25 or defend, in its own or Lessee's name, any actions or proceedings
 26 appropriate or necessary to the protection of its title to, and
 Lessee's perpetual occupancy, use, and possession of or interest in
 the Leased Premises. Whenever requested by OPAL, Lessee shall give
 OPAL all reasonable aid in any such action or proceeding, in
 effecting settlement, securing evidence, obtaining witnesses, or
 prosecuting or defending such action or proceeding.

15.7 CONSTRUCTION: Whenever in this Lease a pronoun is used
 it shall be construed to represent either the singular or the
 plural, masculine or feminine, as the case shall demand.

15.8 CAPTIONS AND TABLE OF CONTENTS: The captions and table
 of contents in this Lease are for convenience only, and are not a
 part of this Lease and do not in any way limit or amplify the
 terms, covenants, conditions, provisions, restrictions, or
 reservations of this Lease.

15.9 PARTIES BOUND: This Lease sets forth the entire
 agreement between the parties hereto with respect to the leasing of

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1 the Land; it is binding upon and inures to the benefit of the
2 parties hereto and, in accordance with the provisions hereof, their
3 respective successors in interest. This Lease may be altered or
4 amended only by written notice executed by the parties hereto or
5 their legal representatives or, in accordance with the provisions
6 hereof, their successors in interest.

7 15.10 GOVERNING LAW: This Lease shall be interpreted in
8 accordance with and governed by the laws of The State of
9 Washington.

10 15.11 RECORDING: The parties agree, as an alternative to
11 recordation of this Lease, to record a master copy of this Lease
12 and execute a Memorandum of Lease in form recordable and reasonably
13 satisfactory to OPAL's attorneys.

14 LESSOR: LESSSEE:
15 OPAL COMMUNITY LAND TRUST _____
16 By _____ By _____
17 Its _____

18 STATE OF WASHINGTON)
19) ss.
20 COUNTY OF _____)

21 On this _____ day of _____, 1993, before me,
22 the undersigned, a Notary Public in and for the State of
23 Washington, duly commissioned and sworn, personally appeared
24 _____, to me known to be the _____ of
25 OPAL COMMUNITY LAND TRUST; the corporation that executed the within
26 and foregoing instrument, and acknowledged the said instrument to
be the free and voluntary act and deed of said corporation for the
uses and purposes therein mentioned, and on oath stated that he is
authorized to execute the said instrument and that the seal affixed
is the corporate seal of said corporation.

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

3
4 NOTARY PUBLIC in and for the State of
5 Washington, residing at _____
6 My commission expires _____

6 STATE OF WASHINGTON)
7) ss.
8 COUNTY OF _____)

8 On this _____ day of _____, 1993, before me,
9 the undersigned, a Notary Public in and for the State of
10 Washington, duly commissioned and sworn, personally appeared
11 _____, to me known to be the individual
12 described in and who executed the within and foregoing instrument,
13 and acknowledged to me that he signed and sealed the said
14 instrument as his free and voluntary act and deed for the uses and
15 purposes therein mentioned.

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

16 NOTARY PUBLIC in and for the State of
17 Washington, residing at _____
18 My commission expires _____

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STATE OF WASHINGTON)
) ss.
COUNTY OF SAN JUAN)

C. Samuel Haines, being first duly sworn, on oath deposes and says that he is the President of Opal Community Land Trust, the owner of the property described in Exhibit A to the Opal Community Land Trust Ground Lease which is attached hereto and that Opal Community Land Trust is entering into a Ground Lease in the form attached with each of the tenants on portions of the Ground described in Exhibit A.

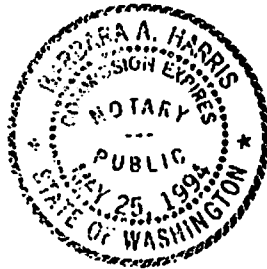


C. Samuel Haines
President of Opal Community
Land and Trust

SUBSCRIBED AND SWORN TO before me this 22nd. day of
June, 1993.



NOTARY PUBLIC
BARBARA A. HARRIS
My commission expires MAY 25, 1994



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SAN JUAN COUNTY
OFFICIAL RECORD VOL. 418 PAGE 103

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EXHIBIT A

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THE PREMISES

LEGAL DESCRIPTION

THAT PORTION OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 11, TOWNSHIP 37 NORTH, RANGE 2 WEST, W.M., LYING WESTERLY OF COUNTRY ROAD NO. 222 (SEAVIEW STREET) AS SHOWN ON THE PLAT OF GRASYLVANIA, RECORDED IN VOLUME 4 OF PLATS AT PAGE 13, IN THE OFFICE OF THE AUDITOR OF SAN JUAN COUNTY, WASHINGTON AND NORTHERLY OF THE NORTH BOUNDARY OF THE PLAT OF BUENA VISTA HEIGHTS, RECORDED IN VOLUME 1 OF PLATS AT PAGE 66 AND AS MODIFIED BY BOUNDARY LINE AGREEMENT, RECORDED APRIL 15, 1980 IN VOLUME 65 OF OFFICIAL RECORDS AT PAGE 344, UNDER AUDITOR'S FILE NO. 111810, RECORDS OF SAN JUAN COUNTY, WASHINGTON.

EXCEPT COUNTY ROAD NO. 83 (BLANCHARD ROAD) THEREFROM.

SITUATE IN SAN JUAN COUNTY, WASHINGTON.

ALSO KNOWN AS "OPAL COMMONS", PRIVATE SUBDIVISION: ON ORCAS ISLAND, SAN JUAN COUNTY, WASHINGTON WHICH WAS RECORDED ON JUNE 16, 1993 UNDER AUDITOR'S FILE NO. 93187716.

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EXHIBIT B

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(i) Letter of Stipulation

(ii) Letter of Acknowledgment of Legal Counsel

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EXHIBIT C

LEASED LAND

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LEGAL DESCRIPTION

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Lot , "OPAL COMMONS", A PRIVATE SUBDIVISION: on Orcas Island, San Juan County, Washington according to the Plat thereof, recorded in Volume 5 of Plats, at pages 60 and 60A in the office of the Auditor of San Juan County, Washington.

TOGETHER WITH an undivided 1/18th interest of common use in the common area as shown on the plat map and as contained in the Dedication of "Opal Commons", a private subdivision.

TOGETHER WITH a non-exclusive easement over and across that portion of the 'Common Area' designated as Common Driveways as a means of ingress and egress and for the location, installation and maintenance of roadway, driveway and utilities as shown on the plat map and as declared and granted in the Dedication of "Opal Commons", a private subdivision.

Situate in San Juan County, Washington.

FIRST REFUSAL

Whenever any party under the Ground Lease shall have a right of first refusal as to certain property, the following procedures apply. If the owner of the property offering it for sale or lease ("Offering Party") shall within the term of the Ground Lease receive a bona fide third party offer to purchase or lease the property which such Offering Party is willing to accept, the holder of the right of first refusal (the "Holder") shall have the following rights:

(a) Offering Party shall give written notice (the "Notice") of such offer to Holder setting forth (i) the name and address of the prospective purchaser thereof, (ii) the purchase price offered by the prospective purchaser and (iii) all other terms and conditions of the sale. Holder shall have a period of ninety (90) days after the receipt of the Notice containing the offer (the "Election Period") within which to elect to purchase the property on the same terms and conditions, including the purchase price set forth in the Notice. Such election shall be made by a written notice given to the Offering Party within the Election Period.

(b) If Holder makes the election to purchase the property, such purchase shall be made within ninety (90) days after such election shall have been made by Holder (or if the Notice shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice, including payment of the purchase price provided therein.

(c) Should Holder fail to make any election within the Election Period, then the Offering Party shall have the right (subject to any other applicable restrictions in the Ground Lease) to go forward with the sale which the Offering Party desires to accept, and to sell the property within one (1) year following the expiration of the Election Period on terms and conditions which are not materially more favorable to the purchaser than those set forth in the Notice. If the sale is not consummated within such one (1) year period, the Offering Party's right so to sell shall end, and all of the foregoing provisions of this section shall be applied again to any future offer, all as aforesaid. If a sale is consummated within such one (1) year period, the purchaser shall purchase subject to a renewed right of first refusal in said property.

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EXHIBIT E

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**EASTSOUND VILLAGE PLAN
SAN JUAN COUNTY ORDINANCE NO. 225-1981
as amended by
ORDINANCE NO. 43-1983**

VILLAGE RESIDENTIAL:

Allowable Uses:

- 1. Primary:**
 - a. single family residential dwellings**
 - b. multiple family residential dwellings**

- 2. Secondary:**
 - a. home occupations**
 - b. churches**
 - c. recreational uses**
 - d. schools**
 - e. offices**
 - f. civic and cultural facilities**

Density:

Single family residential: 6 units per acre

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EXHIBIT F

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EXHIBIT G

INTENT TO SELL NOTICE

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INTENT TO SELL NOTICE

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I, the undersigned Lessee of Lot # ___ of OPAL COMMONS, am hereby giving OPAL Community Land Trust ("OPAL") notice of Intent to Sell as outlined in Section 10.4 of the OPAL Commons Ground Lease. The terms and conditions of such intended sale are as follows:

I understand that within Ninety (90) days of OPAL's receipt of this notice, OPAL shall either:

1. exercise its option to purchase on the terms and within the time period set forth in Section 10.5 and 10.6 of the OPAL Commons Ground Lease; or
2. locate an interested buyer and obtain from such buyer a binding commitment to purchase from Lessee; or
3. notify Lessee that Lessee is free to sell the Improvements in the open market (a) to any party, (b) at not more than the then applicable Index Option Price as defined in the OPAL Commons Ground Lease.

_____	_____
Lessee	Date
_____	_____
Lessee	Date

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EXHIBIT BUYER

Date _____

Potential Buyer's Name (s) _____

Address _____

Household Members _____

Places of Employment _____

Combined Household Income _____

Sale Price _____

Other Terms of Sale _____

For *each* member of the Buyer household who is currently employed or filed a federal income tax return for the preceding year, attach copies of the following:

- a) federal income tax return for the immediately preceding year;
- b) current verification of employment;
- c) pay stubs, if any, for the three months immediately preceding the month in which this notice is given.

OPAL reserves the right to request any information deemed necessary to verify Buyer's annual income, credit worthiness, and employment history.

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EXHIBIT H

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INDEX OPTION PRICE (IOP)

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INDEX OPTION PRICE

This Exhibit sets forth the formula by which the Index Option Price (IOP) shall be determined pursuant to Section 10.7 of the Ground Lease.

The adjustment formula is as follows:

$$OV \times (1 + \text{INDEX}) + \text{ADDED VALUE} - \text{IOP}$$

The terms of this formula are defined as follows:

(a) "OV" is the Original Value set forth in Section 10.8 of the Ground Lease.

(b) "Index" is the percentage by which the Median Household Income of San Juan County in Washington State has increased between the date of the ground lease and when the Index Option Price is determined according to the formula set forth above. The Median Household Income of San Juan County in Washington State is the dollar amount most recently determined and promulgated by the United States Department of Housing and Urban Development (or any successor federal agency which assumes the compilation of such data) as the median household income for San Juan County, Washington State. In the event that neither the United States Department of Housing and Urban Development nor any successor federal agency continues to determine and promulgate a Median Household Income or comparable figure for the county, Lessor shall reasonably select another measure of the change in median household income in San Juan County over the relevant time period, such other measure shall in that case be used as the Index.

(c) "Added Value" is the Allowable Added Value as described in Section 10.11 of the Ground Lease

(d) "IOP" is the Index Option Price as described in Section 10.7 of the Ground Lease.

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RECORDING REQUESTED BY
AND WHEN RECORDED, MAIL TO:

OPAL CLT
P.O. Box 1133
Eastsound, WA 98245
ATTN: _____

MEMORANDUM OF LEASE

This Memorandum of Lease is made and entered into between
OPAL COMMUNITY LAND TRUST ("Lessor"), and _____
("Lessee").

Lessor hereby leases to Lessee that certain real property
together with all improvements now or hereafter located thereon
and all appurtenances thereto, legally described as set forth on
Exhibit "A" attached (the "Leased Land").

The term of this Lease shall be 99 years, commencing on the
_____ day of _____, 19____, and terminating on
the _____ day of _____, 20____, unless terminated
sooner as provided herein.

This lease is made upon all of the terms, covenants and
conditions set forth in that certain Lease (the "Unrecorded
Lease") between the parties dated _____,
199____, all of the terms and conditions of which are
incorporated here as though set forth in full. The form and
content of the Unrecorded Lease are as set forth in that Master
Ground Lease recorded under San Juan County Auditor's file No.
_____. The Unrecorded Lease is subject to all of the
terms and conditions as set forth in the Master Ground Lease.

Landlord and Tenant have entered into this Memorandum of
Lease in order that third parties may have notice of the
existence of the Unrecorded Lease and some of its specific
provisions. This Memorandum of Lease is not a complete summary
of the Lease. This Memorandum of Lease is not intended to amend,
modify, or otherwise change the terms and conditions of the
Unrecorded Lease. Provisions in this Memorandum shall not be
used in interpreting the provisions of the Unrecorded Lease. In

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the event of a conflict between this Memorandum and the Unrecorded Lease, the Unrecorded Lease shall control.

This Memorandum of Lease is made _____,
199 ____.

LESSOR:
OPAL COMMUNITY LAND TRUST

C. SAMUEL HAINES

LESSEE:

93187865

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1993, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the _____ of OPAL COMMUNITY LAND TRUST; the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

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

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

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1993, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged to me that he signed and sealed the said instrument as his free and voluntary act and deed for the uses and purposes therein mentioned.

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

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