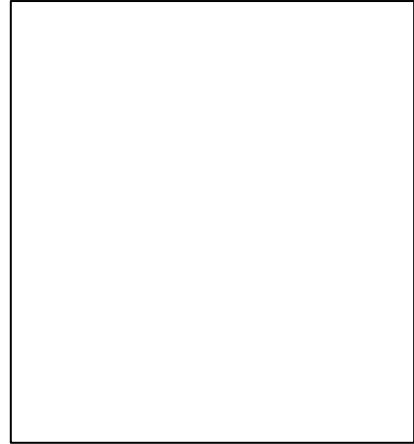


AFTER RECORDING PLEASE MAIL TO:

OPAL Community Land Trust

P. O. Box 1133

Eastsound, WA 98245



**OPAL Community Land Trust
Master Ground Lease
July 2005**

Grantor: OPAL (Of People and Land) Community Land Trust

Grantees: Leaseholders identified in Memorandum of Lease, recorded separately in reference to this Master Ground Lease

Real Property Affected:
Real Property Described in Memorandum of Lease, recorded separately in reference to this Master Ground Lease

This Master Ground Lease shall be effective only in conjunction with a Memorandum of Lease recorded separately in reference to this document.

Filed with the County Auditor on behalf of OPAL Community Land Trust by:

Elisabeth C. Byers, Executive Director (date)

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

On this day personally appeared before me Elisabeth C. Byers, to me known to be the individual described in and who executed the foregoing instrument, and acknowledged that, as Executive Director of OPAL Community Land Trust, she signed the same as her free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this ___ day of _____, 20__.

(print name)
Notary Public in and for the State of Washington
My Appointment Expires _____

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GROUND LEASE

THIS GROUND LEASE ("Lease") is made and entered into this _____ day of _____, 20____, by and between OPAL Community Land Trust ("OPAL CLT") as OPAL CLT ("Lessor"), and _____ ("Lessee") as Lessee.

RECITALS

A. OPAL CLT is organized exclusively for charitable purposes, including: the development and preservation of decent, affordable housing for low and moderate income people in the San Juan County area; the conservation of land and natural resources by fostering responsible, affordable long-term occupancy; the promotion of neighborhood stability and improvement of low-income communities in the San Juan County area; and the creation of home-ownership opportunities for low and moderate income people, who otherwise would be denied such opportunities because of limited financial resources.

B. The goal of OPAL CLT is to stimulate the conveyance of decent, affordable housing among low and moderate income people by providing access to housing for such persons at affordable prices through the long-term leasing of land under said housing.

C. The Leased Premises described in Exhibit A and attached to the Memorandum of Lease have been acquired in fee title and are being leased by CLT in furtherance of these charitable purposes.

D. By operation of a Memorandum of Lease and Statutory Warranty Deed for Improvements Only, Lessee has acquired title to the improvements presently located on the Leased Premises, and Lessee hereby subjects such title to the terms of this Lease.

E. Lessee shares the purposes and goals of OPAL CLT and has agreed to enter into this Lease not only to obtain those certain benefits to which OPAL CLT's Lessee is entitled hereunder, but also to further the charitable purposes of OPAL CLT.

F. The OPAL CLT and Lessee recognize the special nature of the terms and conditions of this Lease, and each of them, with the independent and informed advice of legal counsel, freely accepts these terms and conditions, including those terms and conditions that may affect the marketing and resale price of any Improvements on the Leased Premises.

G. It is mutually understood and accepted by OPAL CLT and Lessee that the terms and conditions of this Lease further their shared goals over an extended period of time and through a succession of owners.

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

Article I. LETTERS OF STIPULATION/ACKNOWLEDGMENT

Attached hereto as Exhibit B and made a part of this Lease by reference are (i) Letter(s) of Stipulation of each prospective Lessee of the Leased Land, and (ii) a Letter of Acknowledgment of legal counsel of each prospective Lessee both of which set forth their review and understanding of this Lease (in particular, Article II on Demise of Leased Premises and Article X on Transfers of Improvements, hereof), the terms and conditions contained herein, and related documents for this transaction.

Article II. DEMISE OF LEASED PREMISES

2.01 LEASED PREMISES:

OPAL CLT, in consideration of the rents reserved and the terms, conditions, covenants and agreements herein, does hereby demise and lease unto Lessee, and Lessee does hereby take and hire from OPAL CLT, that real property described in EXHIBIT A to the Memorandum of Lease and referred to herein as the Leased Premises. The Lessee hereby acknowledges receipt of a copy of the most current title report obtained by OPAL CLT for the Leased Premises. Lessee has had adequate opportunity to inspect the title report and the Leased Premises, and Lessee declares that Lessee is fully satisfied as to the encumbrances affecting the Leased Premises, size of the Leased Premises, the location of the Leased Premises' boundaries, the absence of significant encroachments, and the suitability of the Leased Premises for the Lessee's use. Lessee accepts title to the Leased Premises in its "as is" condition as of the execution hereof.

2.02 RESERVATION OF MINERAL RIGHTS:

OPAL CLT reserves to itself all the minerals and other extractive resources on the Leased Premises. Said reservation shall not negate the right of Lessee under this Lease to occupy and freely use the Leased Premises. Any eventual extraction by OPAL CLT of minerals or other extractive resources shall be carried out with as little disruption to Lessee as is reasonably possible.

Article III. DURATION OF LEASE

3.01 TERM:

The term of this Lease shall be 99 years, commencing on the _____ day of _____, 20____, and terminating on the _____ day of _____, 21____, unless terminated sooner as provided herein.

3.02 LESSEE'S OPTION TO EXTEND:

Lessee may extend the principal term of the Lease for one (1) additional period of 99 years; provided that OPAL CLT may make changes to the terms of the Lease for the renewal period prior to the commencement of such renewal. Lessee's right to exercise the option to extend is subject to the following conditions: this Lease shall be in effect at the time notice of exercise is given and on the last day of the term; and there shall not then be an Event of Default by Lessee (as defined in Article XII herein) under this Lease nor under any loan documents between Lessee and any Permitted Mortgagee (hereinafter defined). In order to extend the term of this lease, Lessee shall give OPAL

CLT written notice, not more than 365 days nor less than 180 days before the last day of the current term, irrevocably exercising the option to extend. Each party shall then execute a memorandum, in mutually agreeable recordable form, acknowledging the fact that the option has been exercised and otherwise complying with the requirements of law for an effective memorandum or notice of lease.

3.03 CHANGE OF OPAL CLT; LESSEE'S RIGHT TO PURCHASE:

Given the duration of this Lease and the fact that the Lessee holds title to the Improvements located thereon, the terms of this Lease control the use of the land, are deemed to run with the land, and are inseparable therefrom. In the event that ownership of or title to the Leased Premises or some portion thereof is conveyed, voluntarily or involuntarily, by OPAL CLT to any other person or entity, this Lease shall not cease, but shall remain binding and unaffected. In the event that OPAL CLT desires to sell or convey the Leased Premises to any person or entity other than to a non-profit corporation, charitable trust, governmental agency or other similar entity sharing the goals and objectives set forth in the recitals above (or as security for a mortgage loan), Lessee shall have a right of first refusal to purchase the Leased Premises. This right shall be as specified in EXHIBIT C (FIRST REFUSAL) annexed hereto and incorporated herein. Any sale or transfer contrary to this Section shall be null and void.

Article IV. USE OF LEASED PREMISES AND IMPROVEMENTS

4.01 OPAL CLT'S RELATIONSHIP TO LESSEE:

OPAL CLT has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Lessee, subject only to the terms, covenants, conditions, provisions, restrictions, or reservations of this Lease, including those specifically set forth in this ARTICLE, as well as the OPAL CLT Covenants, Conditions, and Restrictions ("CC&Rs") set forth in EXHIBIT D in the Memorandum of Lease and attached hereto and by reference incorporated herein.

4.02 RESIDENTIAL USE ONLY:

Lessee shall use, and shall cause all occupants to use, the Leased Premises and Improvements (as defined in Article VII) only for residential purposes. Business uses within a home are permitted as long as they conform to applicable county, state and federal zoning regulations.

4.03 RESPONSIBLE USE:

Lessee shall use the Leased Premises and Improvements in 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.

4.04 RESPONSIBLE FOR OTHERS:

Lessee shall be responsible for the use of the Leased Premises and Improvements by any residents thereof, families, their friends or visitors, or anyone else using the Leased Premises or Improvements with Lessee's consent, and shall make such users aware of the spirit, intent and appropriate terms of this Lease.

4.05 OCCUPANCY:

Lessee shall occupy the Leased Premises and Improvements for at least nine (9) months of each year of this Lease, unless otherwise agreed in advance by OPAL CLT. Occupancy by a spouse, domestic partner, resident children or other immediate family members or dependents of Lessee shall satisfy the occupancy requirement

Occupancy by someone other than the Lessee for a period of more than 12 months shall constitute a sub-lease.

4.06 INSPECTION:

OPAL CLT may inspect any portion of the Leased Premises or Improvements at any reasonable time and in any reasonable manner, upon at least seventy-two (72) hours oral notice to Lessee, except in the event of emergency when no notice shall be required.

4.07 LESSEE'S RIGHT TO PEACEFUL ENJOYMENT:

Lessee has the right to undisturbed enjoyment of the Leased Premises, and OPAL CLT has no desire or intention to interfere with the personal lives, associations, expressions, or actions of Lessee, subject to the provisions of this Lease.

4.08 LESSEE'S OBLIGATION TO MAINTAIN LEASED PREMISES AND IMPROVEMENTS:

Lessee agrees that Lessee shall maintain the Leased Premises and Improvements in good, safe, and habitable condition in all respects, and in full compliance with all applicable laws, ordinances, rules and regulations of any governmental authority with jurisdiction over matters concerning the condition of the Leased Premises; and in such condition as is required to maintain the insurance coverage required by Section 9.04 of this Lease.

4.09 LESSEE'S OBLIGATION REGARDING HAZARDOUS MATERIALS:

Lessee shall not cause or permit any Hazardous Materials to be brought upon, kept or used in or about the Leased Premises by Lessee, its agents, employees, contractors or invitees. "Hazardous Materials" means any hazardous, dangerous, toxic or harmful substance, material or waste, which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government. If Lessee breaches this obligation, or if the presence of Hazardous Materials caused or permitted results in contamination of the Leased Premises or any part of any other property, then Lessee shall indemnify, defend and hold OPAL CLT harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses (including, without limitation, diminution in value of the Leased Premises, damages for the loss or restriction on use of usable space or of any improvement, damages arising from any adverse impact on marketing of the Leased Premises, damages to any other property and amounts paid in settlement of claims, attorneys' fees, consultant fees, expert fees, costs incurred in connection with investigation of site conditions or any cleanup, remediation, removal or restoration work required by any federal, state or local governmental agency or political subdivision because of Hazardous Materials present in the soil or ground water on or under the Property or any other affected property) which arise during, or after the term of this Lease as a result of such contamination.

4.10 USES IN ACCORDANCE WITH CONDITIONS, COVENANTS & RESTRICTIONS (CC&RS):

All uses of the Leased Premises and Improvements shall be in accordance with the Conditions, Covenants and Restrictions (“CC&Rs”), which are fully set forth at EXHIBIT D of the Memorandum of Lease, attached hereto and incorporated herein by this reference. OPAL CLT shall not be responsible to Lessee for the nonperformance of any rules or regulations by any other lessee.

Article V. GROUND LEASE FEE

5.01 GROUND LEASE FEE:

In consideration of the possession, continued use and occupancy of the Leased Premises, Lessee shall pay to OPAL CLT a monthly Ground Lease Fee (the “Ground Lease Fee”) equal to:

- (a) a Use Fee (hereinafter further defined in Section 5.06) established at the commencement of this lease to be _____ dollars (\$ _____); plus
- (b) one twelfth (1/12) the annual reserve, maintenance and administrative charges applicable to the Leased Premises, Site Infrastructure and Improvements, as determined by OPAL CLT in its sole discretion; plus
- (c) one twelfth (1/12) the annual real estate taxes and any other municipal charges (such as water and sewer charges) whatsoever applicable to the Leased Premises or Improvements; plus
- (d) special assessments or tax adjustments against the Leased Premises or Improvements prorated over the number of months for which said assessments or adjustments apply; plus
- (e) one twelfth (1/12) the annual insurance premiums for such insurance as OPAL CLT may from time to time carry with respect to the Leased Premises or Improvements;
- (f) all fees, costs, and expenses, including, without limitation, reasonable attorneys’ fees, incurred by OPAL CLT in connection with any Permitted Mortgage; plus
- (g) any monetary penalties imposed any violation of the Covenants, Conditions & Restrictions applicable to the Leased Premises, as outlined in EXHIBIT D of the Memorandum of Lease.

5.02 EXTERIOR HOME MAINTENANCE FEE

- (a) The parties acknowledge that the Lessee is responsible for all maintenance and repair of the Improvements, as set forth in this Lease. As an additional assurance that all Lessees are able to comply with their maintenance and repair obligations, OPAL CLT and Lessee agree that an Exterior Home Maintenance Fee will be collected from each Lessee as part of the

Ground Lease Fee, as provided in Section 5.01(b), and held as a reserve by OPAL CLT for any significant required maintenance and repair of the roof, exterior siding, exterior paint and finishes or similar features of the Improvement.

- (b) The Exterior Home Maintenance Fee shall be held in a separate fund for each Improvement and shall only be released by OPAL CLT at its sole discretion for each individual property for which the Exterior Home Maintenance Fee was paid. Lessee may request release of the funds, and OPAL CLT shall release funds at its sole discretion, if the requested use is found to be necessary and in accordance with the fund's intended use. OPAL CLT may reasonably withhold Maintenance Fee funds if the requested use is for purely aesthetic exterior alterations (such as a change in paint color when existing paint is still in good condition) or to repair items damaged by neglect.
- (c) Lessee acknowledges that the Exterior Home Maintenance Fee is intended for, and shall remain with, the Improvement and not the Lessee. In the event the Improvement is sold or transferred by Lessee, the unused Exterior Home Maintenance funds will be retained in the fund by OPAL CLT for future maintenance and repair needs to the Improvement and will not be recoverable by or returned to Lessee for any purpose other than those described in Section 5.02(a). It is the Lessee's responsibility to fund from Lessee's resources all required maintenance and repair needs of the Improvement that are not, or cannot be, covered by the Exterior Home Maintenance funds held by OPAL CLT.

5.03 PAYMENT OF GROUND LEASE FEE:

The Lease Fee shall be payable to OPAL CLT, at the address specified in this Lease as OPAL CLT's address, on the first day of each month for as long as this Lease remains in effect, unless, with OPAL CLT's consent, the Lease Fee is to be escrowed by a Permitted Mortgagee, in which case payment shall be made as specified by that Mortgagee. If the Lease commences on a day other than the first of the month, a pro-rata portion of the Lease Fee shall be paid for the balance of the month at the time the Lease is executed.

In the event that any amount of payable Lease Fee remains unpaid when the Improvements are sold and the leasehold estate is transferred to another party, the amount of payable Lease Fee shall be paid to OPAL CLT out of any proceeds of sale otherwise due to Lessee at the time of sale.

5.04 CALCULATION OF GROUND LEASE FEE:

Promptly after the receipt by OPAL CLT of any bills for the upcoming year for any items listed in Section 5.01 above, but in any event not later than December 15th of each year, OPAL CLT shall give Lessee notice of the actual or estimated total amount of the Ground Lease Fee for the then coming year. If a bill for the coming year for any item included in the Ground Lease Fee is not available as of the time OPAL CLT gives such notice, or if such item does not get billed out on an annual basis (such as maintenance charges), OPAL CLT shall make a projected computation based upon the charge for such item for the immediately prior year, or, if there has been no such charge, on the basis of a reasonable good faith estimate for such charge for the coming year. After OPAL CLT receives a bill, an adjustment shall be made in the Ground Lease Fee to account for any discrepancies between estimated and actual charges or fees, and Lessee shall be notified thereof

promptly after OPAL CLT receives the applicable bill.

5.05 *REDUCTION, DELAY OR WAIVER OF GROUND LEASE FEE:*

OPAL CLT in its sole discretion may reduce, delay or waive entirely the Ground Lease Fee at any time and from time to time in consideration of the personal hardship or incapacity of Lessee or Lessee's general ability to pay. The intent of this Section is to foster continued occupancy by the resident owners despite the occurrence of unforeseeable financial and personal hardship if reasonably possible.

5.06 *ADJUSTMENT OF USE FEE:*

The Use Fee stated in Section 5.01(a) above, as adjusted in the way provided below, shall be applicable during the term of this Lease. However, in the event that, for any reason, the provisions of Article X or Article XI regarding transfers of the Improvements and the Leasehold Estate or Section 4.05 regarding occupancy are suspended or invalidated for any period of time, then during that time, the Use Fee shall be increased to an amount calculated by OPAL CLT to equal the fair rental value of the Land for use not restricted by the provisions of the suspended portions of the Lease. In such event, OPAL CLT shall notify Lessee of the amount calculated in this way, and the Use Fee shall then be this amount.

In order to keep the Use Fee reasonably current, the amount specified in Section 5.01(a) (and the maximum amount specified in the preceding paragraph) shall be recalculated every 5th year during the term of the Lease. At such intervals, the amount shall be recalculated through such reasonable process as the OPAL CLT shall choose, based upon the standards set forth in Section 5.04 and 5.05 above. OPAL CLT shall notify Lessee promptly upon recalculation of the new Use Fee amount, and if Lessee does not state objections to the recalculated amount within thirty (30) days after receipt of this notice, the Use Fee shall then be as stated by OPAL CLT in the notice. If Lessee does state objections to the recalculated Use Fee, and OPAL CLT and Lessee are then unable to agree on a recalculated Use Fee within fifteen (15) days of OPAL CLT's receipt of Lessee's objection, the dispute shall be resolved according to the arbitration process set forth in Article XIII below, except that the arbitrators chosen by each party shall be ones with experience in the valuation of real estate. Upon the final determination of the recalculated Use Fee in accordance with the terms of this Section, OPAL CLT shall maintain in its file a notarized certification of the amount of such recalculated Use Fee and the process by which it was determined.

5.07 *LIEN FOR UNPAID GROUND LEASE FEE*

- (a) OPAL CLT shall have, and the Lessee hereby consents to, a lien upon the Improvements for any unpaid Ground Lease Fee, as set forth in Section 5.01 of this Lease, and as increased from time to time pursuant to Section 5.06, 6.04, 9.03 and 9.04 hereof.
- (b) A lien hereunder shall be prior to all other liens and encumbrances on the Improvements except: (a) liens and encumbrances recorded before the recording of this Lease; (b) a Permitted Mortgage on the Improvements recorded before the date on which the Ground Lease Fee sought to be enforced became delinquent; and (c) liens for real property taxes and other governmental assessments or charges against the Improvements.

- (c) Recording of this Master Ground Lease and the Memorandum of Lease executed by the Lessee constitutes record notice and perfection of the lien for unpaid Ground Lease Fees. While no further recording of any claim of lien for Ground Lease Fees under this Section shall be required to perfect OPAL CLT's lien, OPAL CLT may record a notice of claim of lien for Ground Lease Fees in the real property records of San Juan County or file such Notice with the Secretary of State.
- (d) A lien for unpaid Ground Lease Fees, but not the personal liability for payment of such Fees, is extinguished unless proceedings to enforce the lien or collect the debt are instituted within three (3) years after the amount of the Ground Lease Fees sought to be recovered becomes due.
- (e) Any lien for unpaid Ground Lease Fees may be enforced judicially by OPAL CLT in the manner set forth in RCW Ch. 61.12. OPAL CLT shall have the power to purchase the Improvements at the foreclosure sale and to acquire, hold, lease, mortgage, or convey the same upon an express waiver in the complaint of any right to a deficiency judgment. In a judicial foreclosure action, the period of redemption shall be eight (8) months. Nothing in this Section shall prohibit OPAL CLT from taking a deed in lieu of foreclosure.
- (f) A lien arising under this Section may be foreclosed nonjudicially in the manner set forth in RCW 61.24 for nonjudicial foreclosure deeds of trust. For the purpose of preserving OPAL CLT's nonjudicial foreclosure option, this Declaration shall be considered to create a grant of the Improvements to San Juan Title Insurance Company of Eastsound, Washington, or its successors or assigns ("Trustee"), to secure the obligations of each Lessee ("Grantor") to OPAL CLT ("Beneficiary") for the payment of Assessments. Grantors shall retain the right to possession of the Improvements so long as Grantor is not in default of an obligation to pay the Ground Lease Fees. The Trustee shall have a power of sale with respect to the Improvements, which becomes operative in the case of a default in a Grantor's obligation to pay Ground Lease Fees. The Improvements are not used principally for agricultural or farming purposes. If OPAL CLT forecloses its lien non-judicially pursuant to this Section, it shall not be entitled to the lien priority over Permitted Mortgages.
- (g) The holder of a Permitted Mortgage who obtains the right of possession of the Improvements through foreclosure shall not be liable for Ground Lease Fees thereof that became due prior to such right of possession. Foreclosure of a Permitted Mortgage does not relieve the Lessee of personal liability for Ground Lease Fees accruing prior to the date of such sale as provided in this Section.
- (h) Liens for unpaid Ground Lease Fees shall not be affected by the sale or transfer of the Improvements except in the event of sale through foreclosure.
- (i) In addition to constituting a lien on the Improvements, each Ground Lease Fee shall be the joint and several obligation of the Lessee or Lessees of the Improvements as of the time the

Assessment is due. In a voluntary conveyance the grantee of the Improvements shall be jointly and severally liable with the grantor for all unpaid Ground Lease Fees against the latter up to the time of the grantor's conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefore. Suit to recover a personal judgment for any delinquent Ground Lease Fees shall be maintainable in any court of competent jurisdiction without foreclosing, or waiving the lien securing such sums.

- (j) OPAL CLT may from time to time establish reasonable late charges and a rate of interest to be charged on all subsequent delinquent Ground Lease Fees.
- (k) The prevailing party shall be entitled to recover any costs and reasonable attorneys' fees incurred in connection with the collection of delinquent Ground Lease Fees, whether or not such collection activities result in suit being commenced or prosecuted to judgment. In addition, the prevailing party shall be entitled to recover costs and reasonable attorneys' fees if it prevails on appeal and in the enforcement of a judgment.

Article VI. TAXES AND ASSESSMENTS

6.01 PAYMENT OF LAND TAXES BY OPAL CLT WITH GROUND LEASE FEE PROCEEDS:

Provided that Lessee has paid the Ground Lease Fee promptly and fully in accordance with the foregoing Article V, OPAL CLT shall pay all taxes or assessments owed for its ownership of the Leased Premises with the proceeds generated from the Ground Lease Fee. OPAL CLT and Lessee shall cooperate in securing any discount that may be available for early payment of taxes or assessments. If for any reason OPAL CLT fails to pay the taxes or assessments owed for its ownership of the Leased Premises, Lessee shall have the right to pay such taxes or assessments.

6.02 LESSEE'S RESPONSIBILITY FOR TAXES AND ASSESSMENTS ON IMPROVEMENTS:

Notwithstanding the generality of Section 6.01 nor the provisions of Section 5.01 specifying the components of the Ground Lease Fee, Lessee shall be responsible for payment of all taxes and assessments, no matter how designated, that relate to the Improvements on the Leased Premises (any or all of the foregoing, "Taxes," hereafter). So long as Lessee shall not be in default hereunder, Lessee shall be permitted to pay directly to the taxing or assessing authority the portions of the Ground Lease Fee described in Section 5.01(c) and 5.01(d) above relating to the Improvements on the Leased Premises in lieu of paying such portions of the Ground Lease Fee to OPAL CLT; but from and after notice of a default to Lessee so stating, OPAL CLT may require that some or all of such payments be made to OPAL CLT as part of the Ground Lease Fee as specified in Article V. To the extent any taxes are not accounted for in the Ground Lease Fee, Lessee shall pay promptly when due such Taxes directly to the taxing or assessing authority. Lessee shall also pay directly, when due, all service bills, utility charges, or other governmental assessments charged against the Leased Premises and Improvements, unless otherwise directed by OPAL CLT.

6.03 LESSEE'S RIGHT TO CONTEST:

Lessee shall have the right to contest the amount or validity of any taxes related to the Improvements. OPAL CLT shall, upon written request by Lessee, join in any such proceedings if OPAL CLT shall reasonably determine that it shall be necessary or convenient to do so. All costs and expenses of such proceedings, including those of OPAL CLT if any, shall be paid by Lessee, unless otherwise decided by the Board of Trustees of OPAL CLT. Notwithstanding the foregoing, Taxes or assessments against or including the land constituting the Leased Premises shall be contested only with the concurrence of OPAL CLT in its sole discretion.

6.04 PAYMENTS IN EVENT OF DELINQUENCY:

In the event that Lessee fails to pay taxes or other charges specified in Section 6.02 above which are not otherwise part of the Ground Lease Fee, OPAL CLT may make such payments and increase Ground Lease Fee payments in amounts such that the total sum collected will offset the cost of any delinquent and current Taxes or other charges.

6.05 PROOF OF COMPLIANCE:

At the request of either party, the other party shall promptly furnish satisfactory evidence documenting the payment of all taxes, assessments, and charges as required or permitted under this Ground Lease. Such request shall not pertain to evidence of payments made or required to be made more than five years prior to delivery of such request. A photocopy of a paid receipt for such charges showing payment prior to the due date shall be the usual method of furnishing such evidence.

Article VII. IMPROVEMENTS

7.01 "IMPROVEMENTS" DEFINED:

"Improvements" include all buildings, structures, additions and alterations the construction of which are required by county ordinance or state law to be performed under a building permit, foundations, footings, driveways, roads, utilities, pavings, landscaping, fixtures, and permanently installed equipment, in, upon, under or over the Leased Premises, including but without limiting the generality of the foregoing, all furnaces, piping, wiring, connections, conduits, ducts, equipment, partitions, screens, windows, and doors, together with any and all repairs, renewals and replacements thereof or additions thereto or substitutes therefore.

"Improvements" does not include any Personal Property. "Personal Property" includes outbuildings the construction of which are not required by county ordinance or state law to be performed under a building permit, fences, yard ornaments, and permanently installed sports equipment, including but without limiting the generality of the foregoing, picket or stake fences, sheds, fountains, flagpoles, picnic tables, swings, and basketball hoops, together with any and all repairs, renewals and replacements thereof or additions thereto or substitutes therefore.

7.02 OWNERSHIP:

It is agreed that all buildings, structures, fixtures, and other Improvements purchased by the Lessee or constructed or placed by the Lessee on any part of the Leased Premises at any time during the

term of this Lease (the “Improvements”) shall be property of the Lessee. Title to such Improvements shall be and remain vested in the Lessee. However, Lessee’s exercise of the rights of ownership is subject to the provisions of this Lease, including but not limited to provisions regarding the disposition of Improvements by the Lessee and the OPAL CLT’s option to purchase the Improvements. In addition, Lessee shall not sever or move the Improvements from the Land without prior agreement of OPAL CLT.

7.03 PURCHASE OF IMPROVEMENTS BY LESSEE:

Lessee is simultaneously purchasing the Improvements now located on the Leased Premises and described in the Statutory Warranty Deed for Improvements Only.

7.04 CONSTRUCTION AND ALTERATION:

Any Construction in connection with an existing or new Improvement is subject to the following conditions:

- (a) all costs shall be borne and paid for by Lessee;
- (b) all Construction shall be performed in a professional manner and shall comply with all applicable laws, ordinances and regulations, including the requirements of local and state public health authorities;
- (c) all Construction must be consistent with the permitted uses set forth in Article IV;
- (d) the exterior (including height) of such Improvements shall not be increased or expanded and new Improvements shall not be constructed without the prior written consent of OPAL CLT, who, however, shall not unreasonably withhold such consent;
- (e) Lessee shall furnish to OPAL CLT a copy of any plans and all building permits for such construction prior to commencing construction, and
- (f) any Construction, addition, alteration, repair, renewal or replacement to the Improvements shall not impair OPAL CLT’s mission to market affordable housing to the citizens of San Juan County, Washington.

7.05 PROHIBITION OF LIENS:

No lien of any type shall attach to the OPAL CLT’s title to the Land or to OPAL CLT’s interest in the Leased Premises or to any other property owned by the OPAL CLT. Lessee shall not permit any statutory or similar lien to be filed against the Leased Premises, the Improvements, or any interest of OPAL CLT or Lessee which remains more than sixty (60) days after it has been filed. Lessee shall cause any such lien to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or as otherwise permitted by law. If Lessee fails to cause such lien to be discharged within the sixty-day period, then, in addition to any other right or remedy, OPAL CLT may, but shall not be obligated to, discharge the lien by paying the amount in question. Lessee may, at Lessee’s expense, contest the validity of any such asserted lien, provided Lessee has furnished a bond in an amount sufficient to release the Leased Premises from such lien. Any

amounts paid by OPAL CLT to discharge such liens shall be deemed to be an additional Lease Fee payable by Lessee upon demand. If Lessee shall fail to cause such lien to be discharged within the period aforesaid, or to contest the same, then, OPAL CLT may terminate the Lease.

7.06 MAINTENANCE:

Lessee shall, at Lessee's sole expense, maintain the Leased Premises and all Improvements in accordance with Article IV hereof, any applicable CC&Rs including those in EXHIBIT D, 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 Premises or Improvements. OPAL CLT 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 Premises or Improvements, and Lessee hereby assumes the full and sole responsibility for furnishing all services or facilities.

7.07 DISPOSITION OF IMPROVEMENTS WHEN LEASE EXPIRES:

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 Premises to OPAL CLT. Ownership of the Improvements shall thereupon revert to OPAL CLT, provided, however, that OPAL CLT shall promptly pay to Lessee as consideration for the Improvements an amount equal to OPAL CLT's Purchase Option Price calculated in accordance with Article X below, at the time of reversion of ownership, less the total amount of any unpaid lease fee including any charges that may have been added to the lease fee in accordance with this Lease.

Article VIII. FINANCING

8.01 PERMITTED MORTGAGE(S) ONLY:

Lessee may mortgage, pledge, or encumber the Improvements or any portion thereof or interest therein, and/or Lessee's leasehold interest under this Master Ground Lease and the Memorandum of Lease recorded in reference hereto, only pursuant to a "Permitted Mortgage," defined below, only with the written consent of OPAL CLT.

8.02 DEFINITION PERMITTED MORTGAGE:

A "Permitted Mortgage" shall be a mortgage or deed of trust which:

- (a) is a lien of any priority on all or any of the Improvements and/or Lessee's leasehold interest under this Master Ground Lease and the Memorandum of Lease recorded in reference hereto (the "Security"); and
- (b) shall run in favor of either (i) a so-called "institutional lender" such as, but not limited to, a federal, state or local housing finance agency, bank (including savings and loan association), insurance company, or pension and/or profit-sharing fund or trust, the procedures of which are subject to direct governmental supervision, or (ii) a "community loan fund," or similar non-profit lender to housing projects for low and moderate income persons (as

defined by reference to the membership criteria for the National Association of Community Development Loan Funds, a non-profit corporation currently affiliated with the Institute for Community Economics of Springfield, MA); and

- (c) shall provide, among other things, that in the event of a default in any of the mortgagor's obligations thereunder, the holder of the Permitted Mortgage shall notify OPAL CLT of such fact and OPAL CLT shall have the right, but not the obligation, within 120 days after its receipt of such notice, to 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; and
- (d) 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, the holder shall first notify OPAL CLT of its intention to do so and OPAL CLT shall have the right, but not the obligation, upon notifying the holder within thirty (30) days of receipt 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 CLT without recourse and the Permitted Mortgage assigned to OPAL CLT; and
- (e) shall provide that such holder will use reasonable efforts to sell the Security pursuant to any sale after or in lieu of foreclosure to a purchaser who is a Low or Moderate Income Resident, as defined in Section 10.02 hereof. It is not the intent of this paragraph to adversely affect the market value of the Security, but rather to assure the parties that the character of the Leased Premises is maintained as low and moderate income housing; and
- (f) such Mortgage and related documentation shall provide, among other things, that, in the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure, upon acquisition of title to the Improvements and the Lessee's interest in the Leased Premises by the Permitted Mortgagee, the Permitted Mortgagee shall give the OPAL CLT written notice of such acquisition and the OPAL CLT shall have an option to purchase the Improvements and acquire the Lessee's interest in the Leased Premises from the Permitted Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage; provided, however, that the OPAL CLT gives written notice to the Permitted Mortgagee of the OPAL CLT's intent to purchase the Improvements and acquire the Lessee's interest in the Leased Premises within thirty (30) days following the OPAL CLT's receipt of the Permitted Mortgagee's notice of such acquisition of the Improvements and Lessee's interest; further provided that OPAL CLT shall complete the purchase of the Improvements and acquisition of Lessee's interest in the Leased Premises within sixty (60) days of having given written notice of its intent to purchase; and provided that, if the OPAL CLT does not complete the purchase within such

period, the Permitted Mortgagee shall be free to sell the Improvements and transfer the Lessee's interest in the Leased Premises to another person; and

- (g) such Mortgage and related documentation shall not contain any provisions other than provisions generally contained in mortgages used for similar transactions in Washington State by institutional mortgagees; and
- (h) such Mortgage and related documentation shall not contain any provisions which could be construed as rendering OPAL CLT or any subsequent holder of the OPAL CLT's interest in and to this Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt evidenced by such note and such Mortgage or any part thereof; and
- (i) such Mortgage and related documentation shall contain provisions to the effect that the holder of such Mortgage shall not look to OPAL CLT or OPAL CLT's interest in the Leased Premises, but will look solely to Lessee, Lessee's interest in the Leased Premises, the Improvements, or such other buildings and improvements which may from time to time exist on the Leased Premises, for the payment of the debt secured thereby or any part thereof (It is the intention of the parties hereto that OPAL CLT's consent to such Mortgage shall be without any liability on the part of OPAL CLT for any deficiency judgment); and
- (j) such Mortgage and related documentation shall provide that in the event any part of the Security is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the holder of the Mortgage in accordance with the provisions of Article IX hereof; and
- (k) such Mortgage and related documentation shall contain nothing that obligates OPAL CLT to execute an assignment of the Ground Lease Fee or other rent payable by Lessee under the terms of this Lease.

8.03 OPAL CLT'S CONSENT TO PERMITTED MORTGAGE:

Not less than thirty (30) days prior to the date on which Lessee shall request OPAL CLT's consent to a mortgage to be effective, Lessee shall furnish to OPAL CLT true and correct copies of each and every document and instrument to be executed in connection with the transaction represented by such mortgage. Notwithstanding anything to the contrary contained herein, OPAL CLT shall consent to such mortgage if:

- (a) the mortgage so submitted is a Permitted Mortgage as defined by the provisions hereof; and
- (b) in general such Permitted Mortgage is for the sole and exclusive purpose of allowing Lessee to obtain financing for the acquisition, construction, or rehabilitation of the Improvements on the Leased Premises without any liability on the part of OPAL CLT for any deficiency judgment; and
- (c) for the purpose of refinancing, in no event shall the Permitted Mortgage exceed 100% of the Index Option Price as defined by Article X; and

- (d) however, such Permitted Mortgage may be used for purposes other than those outlined above in Section 8.03(b) provided it does not exceed 80% of the resale-restricted value (at the time the new Permitted Mortgage is secured the resale-restricted value is \$ _____), less any remaining existing mortgages (\$ _____), less any subsidy recapture as calculated by USDA or other lenders (\$ _____) for a new mortgage not to exceed \$ _____. The areas intentionally left blank at this time will be completed and this document will be amended accordingly as part of the OPAL CLT's approval of the Permitted Mortgage; and
- (e) the Lessee must present its lender and loan documents to OPAL Community Land Trust prior to securing a mortgage as outlined in Section 8.03; and
- (f) at the time of such submission and at the time proposed by Lessee for the execution of such documents, no default is then outstanding under the terms of this Master Ground Lease.

8.04 RIGHTS OF PERMITTED MORTGAGEE:

A Permitted Mortgagee shall have the right, but not the obligation, without requirement of consent by OPAL CLT to:

- (a) **Cure Default:** cure any default under this Master Ground Lease and/or the Memorandum of Lease recorded in reference hereto, and to perform any obligation required hereunder, and any such cure or performance by a Permitted Mortgagee shall be effective as if the same had been undertaken and performed by Lessee; and
- (b) **Foreclosure:** after compliance with the notice and right to cure provisions (if any) contained in this Article or EXHIBIT E, *SPECIAL PROVISIONS FOR USDA RURAL DEVELOPMENT*, and EXHIBIT F, *SPECIAL PROVISIONS FOR PERMITTED MORTGAGE*, to foreclose or otherwise acquire and convey, assign, transfer and exercise any right, remedy, or privilege granted to Lessee by this Master Ground Lease and the Memorandum of Lease recorded in reference hereto, 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
- (c) **Enforcement of Ground Lease:** rely upon and enforce any provisions of this Master Ground Lease and the Memorandum of Lease recorded in reference hereto, to the extent that such provisions are for the benefit of a Permitted Mortgagee; and
- (d) **Occupancy:** after acquiring the Leased Premises, occupy the same or sublet or sell for cash or credit; and
- (e) **Liability:** The Permitted Mortgagee shall not, as a condition to the exercise of its rights under this Section 8.04, be required to assume personal liability for the payment and performance of the obligations of Lessee hereunder. Any such payment or performance or

other act by Permitted Mortgagee hereunder shall not be construed as an agreement by Permitted Mortgagee to assume such personal liability except to the extent Permitted Mortgagee actually takes possession of the Security or collects fees or rentals from its use; provided, however, that in the event the Permitted Mortgagee transfers the Security, any such transferee shall be required to enter into a written agreement assuming such personal liability and upon any such assumption the Permitted Mortgagee shall automatically be released from personal liability hereunder; and

- (f) **No Merger without Prior Declaration:** In the event that title to the estates of both OPAL CLT and Lessee shall be acquired at any time by the same person or persons, no merger of these estates shall occur without the prior written declaration of merger by Permitted Mortgagee, so long as Permitted Mortgagee owns any interest in the Security or in a Permitted Mortgage. In the event that the estate of OPAL CLT is owned at any time by Lessee (regardless of a merger), or by any person in which Lessee has a direct or indirect interest, Permitted Mortgagee shall not be obligated to cure any default of Lessee under the Lease as condition to the forbearance by OPAL CLT in the exercise of OPAL CLT's remedies as provided in the Lease; and
- (g) **New Lease to Permitted Mortgagee:** If the Lease is terminated for any reason, or in the event of the rejection or disaffirmation of the Lease pursuant to bankruptcy law or other law affecting creditors' rights, OPAL CLT shall enter into a new lease of the Leased Premises with the Permitted Mortgagee (or with any party designated by the Permitted Mortgagee, subject to OPAL CLT's approval, which approval shall not be unreasonably withheld), not more than thirty (30) days after the request of the Permitted Mortgagee. Such lease shall be for the remainder of the term of the Lease, effective as of the date of such termination, rejection, or disaffirmation, and upon all the terms and provisions contained in the Lease. However, the Permitted Mortgagee shall make a written request to OPAL CLT for such new lease within sixty (60) days after the effective date of such termination, rejection, or disaffirmation, as the case may be. Such written request shall be accompanied by a copy of such new lease, duly executed and acknowledged by the Permitted Mortgagee or the party designated by the Permitted Mortgagee to be the Lessee thereunder, and the Permitted Mortgagee 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 shall have the same priority with respect to other interests in the Leased Premises as the Lease. The provisions of this section shall survive the termination, rejection, or disaffirmation of the Lease and shall continue in full effect thereafter to the same extent as if this section were independent and an independent contract made by OPAL CLT, Lessee, and the Permitted Mortgagee; and
- (h) **No Termination During Foreclosure:** The OPAL CLT shall have no right to terminate the Lease during such time as the Permitted Mortgagee has commenced foreclosure in accordance with the provisions of the Lease and is diligently pursuing the same; and
- (i) **Notice:** In the event that OPAL CLT sends a notice of default under the Lease to Lessee, OPAL CLT shall also send a notice of Lessee's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Section 14.02 of the Lease to the Permitted Mortgagee at the address that has been given by the Permitted Mortgagee to OPAL CLT by

a written notice to OPAL CLT sent in the manner set forth in said Section 14.02 of the Lease.

8.05 APPROVAL OF AMENDMENTS:

Any amendments to this Ground Lease shall be subject to the written approval of Permitted Mortgagee, which shall not be unreasonably withheld or delayed.

8.06 OPAL CLT'S RIGHT TO PROCEEDS IN EXCESS OF PURCHASE OPTION PRICE:

The parties recognize that it would be contrary to the fundamental concept of this agreement and an incentive to abuse Lessee's authorization to encumber its leasehold interest with a Permitted Mortgage if Lessee could realize more than the Purchase Option Price as the result of any foreclosure of any mortgage. Accordingly, Lessee hereby irrevocably assigns to OPAL CLT any and all net proceeds of sale of the Improvements remaining after payment of costs of foreclosure and satisfaction of the lien of any Permitted Mortgagee which would otherwise have been payable to Lessee, to the extent such net proceeds exceed the net proceeds that Lessee would have received had the property been sold for the Purchase Option Price established in Article X of this Lease, and authorizes and instructs the Permitted Mortgagee or any party conducting any sale to pay the amount of said excess proceeds directly to OPAL CLT. In the event that, for any reason, such excess proceeds are paid to Lessee, Lessee hereby agrees to promptly pay the amount of such excess proceeds to OPAL CLT.

8.07 PROVISIONS SUBJECT TO FORECLOSURE:

In the event of a foreclosure by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions hereof, at the election of the Permitted Mortgagee the provisions of Article X shall be deleted and thereupon shall be of no further force or effect as to only so much of the Security so foreclosed upon or transferred.

8.08 SPECIAL PROVISIONS FOR MORTGAGES OR DEEDS OF TRUST:

Special Provisions for Permitted Mortgages with the United States Department of Agriculture Rural Development are set forth in EXHIBIT E, attached hereto.

If any other Permitted Mortgagee requires special provisions in this Master Ground Lease or in its mortgage or deed of trust, those provisions shall be set forth in EXHIBIT F, attached to the Memorandum of Lease recorded in reference hereto. Any provisions of this Master Ground Lease and/or Memorandum of Lease recorded in reference hereto in conflict with such provisions shall be deemed stricken in regards to mortgages or deeds of trust held by such Permitted Mortgagee.

8.09 NOTICE:

Whenever in this Article notice is to be given to Permitted Mortgagee, such notice shall be given in the manner set forth in Section 14.02, Notices, hereof at the address given by the Permitted Mortgagee to OPAL CLT by written notice to OPAL CLT sent in the manner set forth in said

14.02, Notices.

Article IX. LIABILITY, INSURANCE, DAMAGE, EMINENT DOMAIN

9.01 LESSEE'S LIABILITY:

From and after the date hereof, Lessee assumes sole responsibility and liability to any and all persons and authorities related to its possession, occupancy and use of Leased Premises and Improvements.

9.02 INDEMNIFICATION OF OPAL CLT:

Lessee shall defend, indemnify and hold OPAL CLT harmless against all liability and claims of liability for damage or injury to person or property from any cause on or about the Leased Premises and Improvements. Lessee waives all claims against OPAL CLT for damage or injury to Person or Property on or about the Leased Premises and Improvements arising, or asserted to have arisen, on or about the Leased Premises and Improvements from any cause whatsoever. Notwithstanding the foregoing two sentences, OPAL CLT shall remain liable (and Lessee shall not indemnify and defend OPAL CLT against nor waive such claims of liability) for damage or injury due to the grossly negligent or intentional acts or omissions of OPAL CLT or OPAL CLT's agents or employees.

9.03 PAYMENT BY OPAL CLT:

In the event OPAL CLT shall be required to pay any sum whatsoever which is Lessee's responsibility or liability, to the extent permitted by law, Lessee shall reimburse OPAL CLT therefore and for reasonable expenses caused thereby. In the event Lessee fails to reimburse OPAL CLT therefore in a reasonable period, OPAL CLT shall have the right to calculate the payment of such sums and expenses plus interest in monthly payments over a reasonable period and to add such monthly payments to the amounts due under the Ground Lease Fee as set forth in Section 5.01 herein, together with all available remedies for failure to pay such Ground Lease Fees.

9.04 INSURANCE:

- (a) Insurance Coverage of Leased Land and Improvements: Lessee shall, at 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.
- (b) Bodily Injury Liability Insurance: Lessee shall, at Lessee's sole expense, maintain continuously in effect bodily injury liability insurance covering the Leased Premises and its Improvements 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 [These amounts to be filled in the Memorandum of Lease].

The dollar amount of each such coverage shall be adjusted at least every two (2) years from the date hereof or upon OPAL CLT's demand given not more often than annually, upon 30

days notice to Lessee. This adjustment adequate to pay for the replacement of the Improvement should it be damaged or destroyed.

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

- (c) Lessee shall provide OPAL CLT with copies of all policies and renewals thereof. All policies shall also contain endorsements providing that they shall not be canceled, reduced in amount or coverage or otherwise modified by the insurance carrier involved without not less than thirty (30) days' prior written notice being given to OPAL CLT. OPAL CLT shall be entitled to participate in the settlement or adjustment of any losses covered by such policies of insurance.
- (d) In the event Lessee fails to maintain such insurance, OPAL CLT shall have the right to pay reasonable sum for such insurance, and to allocate the cost thereof, plus interest at eight (8%) percent per annum if necessary, over the monthly payments due under the Ground Lease Fee as set forth in Section 5.01 herein.

9.05 *DAMAGE OR DESTRUCTION:*

- (a) Except as provided below, in the event of fire or other damage to the Improvements, Lessee shall take all steps necessary to assure the repair of such damage and the restoration of the Improvements to their condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. Lessee shall also promptly take all steps necessary to assure that the Leased Premises are safe and that the damaged Improvements do not constitute a danger to persons or property; and
- (b) In no event shall the Ground Lease Fee be suspended or abated, unless OPAL CLT, in its sole discretion, decides to do so in consideration of the personal hardship or incapacity of Lessee. The intent of this Section is to foster perpetual occupancy by Low or Moderate Income Residents (as defined below) despite the occurrence of unforeseeable financial and personal hardship; and
- (c) If Lessee, using reasonable judgment and relying on professional estimates, determines either (a) that full repair and restoration is physically impossible, or (b) that the available insurance proceeds will pay for less than eighty percent (80%) of the cost of repair and restoration, (provided Lessee has fulfilled all of the hazard insurance requirements set forth in Section 9.04 above), then Lessee may terminate this Lease by written notice to OPAL CLT given not later than sixty (60) days after the event that caused the damage. However, such termination shall not be effective until sixty (60) days after the date upon which the notice is received by OPAL CLT. During this sixty-day period OPAL CLT may seek an adjustment from the insurer so as to increase the available insurance proceeds to an amount covering at least eighty percent of the cost of repair and restoration. If successful in securing such adjustment, OPAL CLT may render Lessee's termination notice null and void

by written notice to Lessee within such sixty-day period. If OPAL CLT fails to nullify the termination notice in this way, then this Lease shall terminate at the expiration of the sixty-day period, and any insurance proceeds payable to Lessee on account of such damage shall be paid as provided below.

- (i) The insurance proceeds shall be paid first to cover any expenses of collecting the proceeds.
- (ii) Remaining proceeds shall be paid to the Lessee (or its Permitted Mortgagee to the extent required by the Permitted Mortgage) up to the then applicable OPAL CLT's Purchase Option Price (as of immediately prior to the damage) calculated according to the provisions of Article X below.
- (iii) The balance of such proceeds, if any, shall be paid to OPAL CLT.

9.06 EMINENT DOMAIN AND PUBLIC DEDICATION:

In the event of a taking of the Leased Premises, either in its entirety or to such extent that the Improvements are lost or damaged beyond repair, by reason of eminent domain or other action of public authority prior to the expiration of this Lease, the Lease shall terminate as of the date Lessee is required to give up possession of the Leased Premises or Improvements, and the entire amount of any award(s) paid shall be allocated in the way described in Section 9.05 above for insurance proceeds.

In the event of a taking of a portion of the Leased Premises that does not result in damage to the Improvements or substantial reduction in the usefulness or desirability of the Improvements for residential purposes, then any monetary compensation for such taking shall be allocated entirely to OPAL CLT.

In the event of a taking of a portion of the Leased Premises that results in damage to the Improvements only to such an extent that the Improvements can reasonably be restored to a residential use consistent with this Lease, the OPAL CLT may in its discretion allocate some or all of the monetary compensation to enable Lessee to accomplish such a restoration. Any balance remaining after or in the absence of such allocation shall be allocated as provided above for a taking of the entire Leased Premises.

Any and all proceedings brought by a party in connection with any damages as a result of any taking referred to in this Section shall be conducted at the sole expense of such party. If any provision of law requires that such proceedings be brought by or in the name of any owner or lessee of the Leased Premises, such party shall join in such proceedings or permit the same to be brought in its name. Each party agrees to do all acts and to execute all documents that may be required to enable the other to maintain such proceedings. If the party required to join in the proceedings incurs any cost or expense in doing so, such party shall be entitled to reasonable reimbursement and this entitlement shall constitute a first charge against any award.

9.07 REASSESSMENT OF USE FEE:

In the event of any taking that reduces the size of the Leased Premises but does not result in the termination of the Lease, OPAL CLT shall reassess the fair rental value of the remaining Leased Premises and shall adjust the Lease Fee if necessary to assure that the monthly fee does not exceed the monthly fair rental value of the Leased Premises for use as restricted by the Lease.

9.08 RELOCATION OF LESSEE:

In the event of a termination of this Lease as a result of damage, destruction or taking, OPAL CLT shall take reasonable steps to grant Lessee a leasehold interest, similar to the interest created by this Lease, in another tract that it owns, if such other tract can reasonably be made available. In accepting such a leasehold interest, Lessee agrees to contribute any proceeds or award received by Lessee to purchase or develop Improvements on such tract. OPAL CLT's failure to supply such a leasehold interest shall not give rise to any cause of action by Lessee against OPAL CLT.

Article X. TRANSFER, SALE OR DISPOSITION OF IMPROVEMENTS

10.01 INTENT AND EFFECT:

The terms and conditions of this ARTICLE have been freely accepted by the parties, each with the independent and informed advice of legal counsel. The provisions and restrictions contained herein exist to further the mutual purpose and goals of OPAL CLT and Lessee set forth herein to create and preserve access to land, decent and affordable housing and home ownership opportunities for low and moderate income people who are often denied such opportunities for lack of financial resources. It is the express understanding and intent of the parties that the terms and conditions hereof may effect the marketability of any Improvements on the Leased Premises by making them affordable to low and moderate-income families who, absent such provisions, would be unable to afford them.

10.02 TRANSFERS TO INCOME QUALIFIED PERSONS:

Lessee may transfer its interest in the Leased Premises or the Improvements only to an Income-Qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article X. All such transfers shall be subject to OPAL CLT's review and purchase option rights set forth in this Article X. Any purported transfer done without following the procedures set forth below, except in the case of a transfer to a Permitted Mortgagee in lieu of foreclosure, shall be null and void.

"Income-Qualified Person" shall mean a person or group of persons whose household income does not exceed _____ percent (___%) of the median household income for San Juan County as calculated and adjusted for household size from time to time by the U.S. Department of Housing and Urban Development (HUD) or any successor.

10.03 EFFECT OF TRANSFER ON LESSEE'S INTEREST IN GROUND LEASE:

Any transfer, sale, or other disposition of Lessee's interest in the Improvements or Leased Premises shall terminate Lessee's interest in this Lease, subject to Section 10.04 regarding transfer to Lessee's

heirs, and Article XI regarding assignment and sublease of Lessee's interests.

10.04 TRANSFER TO LESSEE'S HEIRS:

Upon receipt of notice from the executor of the decedent's estate given within ninety (90) days of the death of Lessee (or the last surviving co-owner of the Improvements) OPAL CLT shall, unless for good cause shown, consent to a transfer of the Improvements and an assumption of this Lease to and by one or more of the following possible heirs of Lessee listed below as "a," "b," or "c," provided that a Letter of Stipulation and a Letter of Acknowledgement of legal counsel (similar to those described in Article I of this Lease), setting forth the heirs' review, understanding and acceptance of the terms of the Lease, are submitted to OPAL CLT to be attached to the Lease when it is transferred to the heirs.

- (a) the spouse of the Lessee; or
- (b) the child or children of the Lessee; or
- (c) member(s) of the Lessee's household who have resided upon the Leased Premises for at least one year immediately prior to Lessee's death.

Any other heirs, legatees or devisees of Lessee must, in addition to submitting Letters of Stipulation and Acknowledgement as provided above, demonstrate to OPAL CLT's reasonable satisfaction that they are Income-Qualified Persons as defined above, or, if unable to do so, shall not be entitled to possession of the Leased Premises, and must transfer the Leased Premises in accordance with the provisions of this Article X.

10.05 APPRAISALS:

If OPAL CLT believes that the Index Option Price as defined in Section 10.09 exceeds the Appraised Value, within a reasonable time after receiving Lessee's Notice of Sale, OPAL CLT may submit to Lessee, at OPAL CLT's expense, an appraisal ("the Appraisal") of the Improvements. Upon receipt of the Appraisal, Lessee and OPAL CLT shall either (a) accept the Appraisal as accurately representing the market value of the Improvements for purposes of calculating the Index Option Price, or (b) if either party believes the market value of the Improvements is greater than the amount stated in the Appraisal, such party shall commission a second appraisal by a licensed appraiser, at such party's expense, and submit a copy of this second appraiser's report to the other party within a reasonable time of receiving the Appraisal. If Lessee commissions a second appraisal, 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 appraisers.

10.06 NOTICE TO OPAL CLT:

Except in the case of a sale, transfer or other disposition to a Permitted Mortgagee in lieu of foreclosure, or pursuant to Section 10.04 above, in the event that Lessee desires an assignment of its interest herein or a sale, transfer or disposition of the Improvements to a third party, then Lessee shall give OPAL CLT notice thereof substantially in the form of EXHIBIT G, NOTICE OF INTENT TO SELL, attached hereto and incorporated herein by reference.

No assignment, sale, transfer or other disposition shall be effective unless and until such notice and accompanying documentation are received by OPAL CLT as aforesaid.

10.07 OPAL CLT'S OPTION TO PURCHASE:

Upon receipt of the Notice of Intent to Sell given in accordance with Section 10.06 above, OPAL CLT shall have the option to purchase said Improvements in accordance with the purchase price defined in Section 10.09 and the terms defined in EXHIBIT C, FIRST REFUSAL.

Within sixty (60) days of OPAL CLT's receipt of notice, OPAL CLT shall either:

- (a) exercise its option to purchase on the terms and within the time period set forth in this Section; or
- (b) locate an interested buyer and obtain from such buyer a binding commitment to purchase from Lessee; or
- (c) notify Lessee that Lessee must identify a purchaser who is qualified in accordance with the terms of this lease.

10.08 OPAL CLT'S POWER OF ATTORNEY TO CONDUCT SALE:

In the event OPAL CLT does not exercise its option to complete the purchase of the Improvements as set forth above, and Lessee (a) is not then residing in the Improvements and (b) continues to hold the improvements out for sale but is unable to locate a buyer and execute an Intent to Sell Notice, Lessee does hereby appoint OPAL CLT its attorney in fact to seek a buyer, negotiate a reasonable price that furthers the goals set forth in this Lease, sell the property, and distribute proceeds of sale, minus OPAL CLT's cost of sale and reletting and any other sums owed to OPAL CLT by Lessee.

This limited power of attorney shall commence upon the occurrence of the above-listed events and shall endure until the Improvements are sold or the above conditions no longer exist. This limited power of attorney shall not be affected by the absence or incapacity of the principal.

10.09 PURCHASE OPTION PRICE:

In no event may the Improvements be sold for a price that exceeds the Purchase Option Price. The Purchase Option Price shall be the lesser of (a) the Index Option Price as determined according to the formula set out in Section 10.10 and EXHIBIT H, or (b) the market value of the Improvements as determined according to Section 10.05, Appraisals.

If the lesser of the Index Option Price and the Appraised Value render the Improvement unaffordable to income qualified buyers, the Lessee shall reduce the Purchase Option Price to a price that is affordable according to affordable housing standards at the time of transfer.

10.10 VALUATION

- (a) ORIGINAL VALUE: OPAL CLT and Lessee hereby agree that the fair market value of the Improvements existing on the Leased Premises as of the commencement of the term of this Ground Lease is \$_____ (the "Original Value").
- (b) CALCULATION OF ADDED VALUE: Added Value shall be calculated as set forth in EXHIBIT H, Index Option Price, attached hereto and by reference incorporated herein. In general, Added Value shall only apply to those items defined as Improvements in Section 7.01. Added Value shall be determined within twelve months of completion and shall take effect within the calendar year of completion. If Lessee fails to request a calculation of Added Value within twelve months of completion, OPAL CLT shall not be obligated to grant said Added Value.
- (c) CALCULATION OF ADJUSTMENTS: OPAL CLT, after consultation with the lessee, may determine the Adjustments, if any, of Construction or Alteration, which does not increase the Square Footage of the Improvements. Lessee may request an Adjustment be added to the Index Option Price for non-square footage Construction or Alteration and OPAL CLT may grant Adjustments for items not defined as Improvements.
- (d) DEFERRED MAINTENANCE AND CONDITION OF IMPROVEMENT AT TIME OF SALE: It is expected and understood that the Lessee maintain the Improvement in good, safe and habitable condition as outlined in Section 4.08 and 7.06 throughout the term of the Leasehold. At the time of transfer, Lessee agrees to transfer the Improvement in good, safe and habitable condition.

The Buyer shall hire a licensed building inspector to assess the condition of the Improvement prior to closing. The OPAL CLT shall use the Buyer's inspection report as well as the lender's requirements, if any, as the basis for the issuance of a notice to Lessee identifying Deferred Maintenance problems, if any, that must be corrected prior to sale of the Improvement.

Lessee shall complete, or cause to be completed, all required repairs identified by OPAL CLT in its sole discretion. All work must be completed in a professional manner and prior to closing. Lessee shall bear the full cost of said repairs. A second inspection shall take place prior to closing to document that the repairs have been completed and are satisfactory to OPAL CLT, the Buyer and the Buyer's lender if applicable. All costs that cannot be paid in advance by Lessee or from an OPAL CLT approved disbursement of the Exterior Home Maintenance Fund per Section 5.02 shall be paid from Seller's proceeds at closing.

- (e) CONSTRUCTION COST DOCUMENTATION: In order to account for the value of Lessee's equity in the Improvements, Lessee shall document the actual cost of any Construction as defined in Section 7.04 of this Lease. Lessee shall document the actual cost of any Construction by means of detailed records, including but not limited to receipts and invoices for materials and labor, receipts for barter goods and services, or by other documentation reasonably acceptable to OPAL CLT. If Lessee contributes some or all of

the labor for Construction, Lessee shall document in writing the number of hours spent on each of the major phases of the Construction, and Lessee's valuation of Lessee's labor.

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

10.11 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION:

If the provisions of Section 10.02, for any reason, become unenforceable, OPAL CLT shall 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 C FIRST REFUSAL annexed hereto and incorporated herein. Any sale or transfer contrary to this Section, when applicable, shall be null and void.

10.12 LEASE CANCELLATION FEE:

The Lessee agrees to pay OPAL CLT a lease cancellation fee to cover OPAL CLT costs of assisting with the cancellation or assignment of this Lease. The Lessee agrees to pay a fee based on OPAL CLT's cost at the time of cancellation or assignment.

Article XI. ASSIGNMENT AND SUBLEASE

11.01 NO ASSIGNMENT OR SUBLEASE WITHOUT OPAL CLT'S PRIOR WRITTEN CONSENT:

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 Lessee's rights under this Lease without prior written consent of OPAL CLT. Lessee agrees that OPAL CLT shall have broad and full discretion to withhold such consent. If OPAL CLT consents, any assignment or subleases shall be subject to the following conditions:

- (a) any such assignment or sublease shall be subject to all of the terms and provisions of this Lease;
- (b) in the case of an approved sublease, the rental or occupancy fee Lessee charges the sublessee shall not be more than the combined cost of Lessee's Mortgage, Taxes, Insurance and Ground Lease fee that OPAL CLT charges the Lessee, and
- (c) in the case of an assignment, the total consideration for such assignment and the related sale or transfer of the Improvements shall not exceed the Purchase Price as calculated in accordance with Article X hereof;
- (d) OPAL CLT's consent to one assignment or sublease shall not constitute consent to any other assignment or sublease.

11.02 LESSEE'S RIGHTS AND OBLIGATIONS UNDER THE LEASE:

Lessee agrees that the assignment or sublease of Lessee's rights under this Lease shall not terminate any of Lessee's obligations under this Lease. Lessee agrees that an assignment of Lessee's interest under this Lease shall forever terminate all of Lessee's rights under this Lease.

11.03 NOTICE OF ASSIGNMENT OF INTEREST:

If and when OPAL CLT consents to assignment or sublease of Lessee's interest in this Lease under this ARTICLE, Lessee and OPAL CLT shall sign and have notarized and Lessee shall cause the Assignee or Sublessee to sign and have notarized a Notice of Assignment of Interest ("Notice") executed substantially in the form of EXHIBIT I attached hereto and incorporated herein by reference. OPAL CLT shall record the Notice with the County Assessor's Office.

Article XII. DEFAULT

12.01 EVENTS OF DEFAULT:

It shall be an Event of Default if:

- (a) Lessee shall fail to pay the Ground Lease Fee or other charges for which provision is made herein within thirty (30) days after OPAL CLT has sent to Lessee notice of such default and such default is not cured by any Permitted Mortgagee within ninety (90) days after a subsequent notice from OPAL CLT to such Permitted Mortgagee of Lessee's failure to cure such default within the initial thirty (30) day grace period. However, if Lessee shall make a good faith partial payment of at least two-thirds (2/3) of the Ground 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 CLT 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
- (c) if the estate hereby created shall be taken on execution or by other process of law, or if Lessee is judicially declared bankrupt or insolvent according to law, or if any assignment shall be made of the property of Lessee for the benefit of creditors, or if a receiver, guardian, conservator, or other similar office shall be appointed to take charge of all or any substantial part of Lessee's property by a court of competent jurisdiction

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

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

12.02 MONETARY REMEDIES FOR VIOLATION OF CONDITIONS, COVENANTS AND RESTRICTIONS

At OPAL CLT's option, and subject to the provisions of Section 12.01(b) above, OPAL CLT may issue a finding as to whether Lessee has violated a rule, term or condition of this Master Ground Lease or the Memorandum of Lease recorded in reference hereto, and may recommend a monetary penalty, set at a sum reasonably designed to cover the cost of remedying the violation and/or to deter future violations. OPAL CLT may add the amount of the monetary penalty to the Ground Lease Fee, as set forth in Section 5.01, to be paid either in a single monthly payment, or amortized over no more than one year, unless a longer period is allowed by the Board of OPAL CLT.

A finding by OPAL CLT that the Lessee has committed such violation, the amount of the monetary penalty, or the schedule of payment may be appealed for review to the Board of Trustees of OPAL CLT. The Board of Trustees of OPAL CLT shall, after providing ample notice and opportunity to be heard by all affected parties, affirm, reverse or remand the finding, the amount of the monetary penalty, or the schedule of payment.

In the event the foregoing remedies provision is finally determined to be invalid or unenforceable for any reason by a Court of competent jurisdiction, then OPAL CLT shall have the right to declare the Lessee in default under this Master Ground Lease and the Memorandum of Ground Lease for substantial or repeated violations of the terms thereof.

Article XIII. ARBITRATION

13.01 ARBITRATION PROCESS:

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

OPAL CLT 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 CLT and Lessee shall have an opportunity to present evidence and question witnesses in the presence of each other.

As soon as reasonably possible, and in no event later than fifteen (15) days after the hearing, the arbitration panel shall make a written report to OPAL CLT and Lessee of its findings and decisions, including a personal statement by each arbitrator of 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 CLT and Lessee.

Article XIV. GENERAL PROVISIONS

14.01 LESSEE'S MEMBERSHIP IN OPAL CLT:

Lessee under this Lease automatically shall be entitled to membership in OPAL CLT.

14.02 NOTICES:

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

If to OPAL CLT:

OPAL Community Land Trust
PO Box 1133
Eastsound, WA 98245

If to Lessee: (provide information in Memorandum of Lease)

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.

14.03 MEMORANDUM OF LEASE TERMINATION:

Upon termination of Lessee's Interest in this Lease under any ARTICLE or paragraph, Lessee or its heir and OPAL CLT shall sign and have notarized a Memorandum of Lease Termination ("Memorandum"). The Memorandum shall be executed substantially in the form of EXHIBIT J annexed hereto and incorporated herein by reference. OPAL CLT shall file the executed Memorandum with the San Juan County Assessor's Office.

14.04 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 CLT with counsel of OPAL CLT's selection and save harmless and indemnify OPAL CLT on account of loss, cost or damage which may arise by reason of any such action.

14.05 SEVERABILITY:

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.

14.06 DURATION:

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. In the event any such option or right shall be construed to be subject to any rule of law limiting the duration thereof, the time period for the exercise of such option or right shall be construed to expire twenty (20) years after the death of the last survivor of the children of the Lessee living as of the date hereof or any directors or employees of OPAL CLT.

14.07 WAIVER:

The waiver by OPAL CLT of, or the failure of OPAL CLT to take action with respect to, any breach of any term, covenant, condition, provision, restriction, or reservation herein contained, shall not be deemed to be a waiver of such term, covenant, condition, provision, restriction, or reservation or subsequent breach of same, or of any other term, covenant, condition, provision, restriction, or reservation herein contained. OPAL CLT may grant waivers in the terms of this Lease, but such must be in writing and signed by OPAL CLT before being effective.

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

14.08 OPAL CLT'S RIGHT TO PROSECUTE OR DEFEND:

OPAL CLT shall have the right, but shall be under no duty or obligation, to prosecute or defend, in its own or Lessee's name, any actions or proceedings 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 CLT, Lessee shall give OPAL CLT all reasonable aid in any such action or proceeding, in effecting settlement, securing evidence, obtaining witnesses, or prosecuting or defending such action or proceeding.

14.09 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.

14.10 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.

14.11 PARTIES BOUND:

This Lease sets forth the entire agreement between the parties hereto with respect to the leasing of the Leased Premises and Improvements; it is binding upon and inures to the benefit of the parties hereto and, in accordance with the provisions hereof, their respective successors in interest. This Lease may be altered or amended only by written notice executed by the parties hereto or their legal representatives or, in accordance with the provisions hereof, their successors in interest.

14.12 ANTI-MERGER:

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

14.13 GOVERNING LAW:

This Lease shall be interpreted in accordance with and governed by the laws of The State of Washington.

14.14 RECORDING:

The parties agree, as an alternative to recordation of this Lease, to record a master copy of this Lease and execute a Memorandum of Lease in form recordable and reasonably satisfactory to OPAL CLT's attorneys.

Date

OPAL CLT:

OPAL COMMUNITY LAND TRUST

By _____

Its _____

(title)

Date

LESSEE(S):

(print name(s))

Lessee's Notary Acknowledgment

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

On this day personally appeared before me _____, to me known to be the individual, or individuals, described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this _____ day of _____, 20__.

(print name)_____
Notary Public in and for the State of Washington
My Appointment Expires _____

Lessee's Notary Acknowledgment

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

On this day personally appeared before me _____, to me known to be the individual, or individuals, described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this _____ day of _____, 20__.

(print name)_____
Notary Public in and for the State of Washington
My Appointment Expires _____

OPAL Community Land Trust's Notary Acknowledgment

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

On this day personally appeared before me _____, to me known to be the individual, or individuals, described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this _____ day of _____, 20__.

(print name)_____
Notary Public in and for the State of Washington
My Appointment Expires _____

EXHIBIT A

THE LEASED PREMISES
(full legal description)

Intentionally left blank in the Master Ground Lease
Recorded with the Memorandum of Lease

EXHIBIT B

- (i) Letter of Stipulation
- (ii) Letter of Acknowledgment of Legal Counsel

Recorded with the Memorandum of Lease

EXHIBIT C

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.

EXHIBIT D

CONDITIONS, COVENANTS AND RESTRICTIONS

Intentionally left blank in the Master Ground Lease

Recorded with the Memorandum of Lease

EXHIBIT E

SPECIAL PROVISIONS FOR USDA RURAL DEVELOPMENT

In the event that the Lessee obtains a Loan from the United States Department of Agriculture, Rural Development, the following provisions shall apply:

- (a) The Lessee's Leasehold interest shall not be subject to summary forfeiture or cancellation by OPAL CLT;
- (b) OPAL CLT shall give U.S.D.A.-R.D at least 90 days written advance notice of its intention to cancel or terminate the Lease and provide U.S.D.A.-R.D with a right, within that period, to cure the default and preserve the Lease;
- (c) The Lessee may transfer the leasehold, subject to the U.S.D.A.-R.D mortgage, to an eligible transferee (as that term is defined by U.S.D.A.-R.D);
- (d) U.S.D.A.-R.D may foreclose its mortgage and sell without restrictions that would affect adversely the market value of the security;
- (e) U.S.D.A.-R.D may bid at the foreclosure sale or accept the voluntary conveyance of the security in lieu of foreclosure;
- (f) U.S.D.A.-R.D may occupy the property, sublet it, or sell it for cash or credit;
- (g) If the property is sold for credit, U.S.D.A.-R.D may take a mortgage with rights similar to those under the original mortgage;
- (h) Since USDA is self-insured, the requirements of Section 9.04 of the Master Ground Lease (Insurance) do not apply to USDA-RD; and
- (i) The arbitration provision of Article XIII of the Master Ground Lease shall not apply to or be binding on the U.S.D.A.-R.D.

EXHIBIT F

SPECIAL PROVISIONS FOR PERMITTED MORTGAGE

Intentionally left blank in the Master Ground Lease

Recorded with the Memorandum of Lease

EXHIBIT G

NOTICE OF INTENT TO SELL

I, the undersigned Lessee of _____,
(street address)

am hereby giving OPAL Community Land Trust (“OPAL”) notice of Intent to Sell as outlined in Article X of the 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 Article X of the Ground Lease; or
2. locate an interested buyer and obtain from such buyer a binding commitment to purchase from Lessee; or
3. notify me that I must present to OPAL CLT a buyer who is qualified in accordance with the terms of this lease.

Lessee (Date)

Lessee (Date)

EXHIBIT H

INDEX OPTION PRICE

Intentionally left blank in the Master Ground Lease

Recorded with the Memorandum of Lease

EXHIBIT I

NOTICE OF ASSIGNMENT OF INTEREST

This Notice of Assignment of Interest (“Notice”) is signed by and between OPAL CLT Community Land Trust (“OPAL CLT”) and _____ and _____ (“Lessees”) and _____ and _____ “Assignees” OR “Sublessees” (mark the appropriate box) on this _____ day of _____, 20__.

1. Lessees, OPAL CLT, and Assignees or Sublessees acknowledge that they remain liable for any and all obligations imposed on them by the Lease (a true and accurate copy of which is attached to this Notice as Appendix A). Lessees acknowledge that their rights under the Lease have been terminated permanently (in the event of assignment) or for the duration of the sublease (in the event of sublease).

2. This Notice shall be effective as of _____.

_____, 20__.
Lessee Date

_____, 20__.
Lessee Date

_____, 20__.
Assignee or Sublessee Date

OPAL COMMUNITY LAND TRUST,
a nonprofit corporation

BY

_____, 20__.
OPAL Community Land Trust Date

NOTICE OF ASSIGNMENT OF INTEREST

Lessee's Notary Acknowledgment

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

On this day personally appeared before me _____, to me known to be the individual, or individuals, described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this _____ day of _____, 20____.

(print name)_____
Notary Public in and for the State of Washington
My Appointment Expires _____

Assignee or Sublessee's Notary Acknowledgment

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

On this day personally appeared before me _____, to me known to be the individual, or individuals, described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this _____ day of _____, 20____.

(print name)_____
Notary Public in and for the State of Washington
My Appointment Expires _____

OPAL Community Land Trust's Notary Acknowledgment

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

On this day personally appeared before me _____, to me known to be the individual, or individuals, described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this _____ day of _____, 20____.

(print name)_____
Notary Public in and for the State of Washington
My Appointment Expires _____

EXHIBIT J

MEMORANDUM OF LEASE TERMINATION

This Memorandum of Lease Termination (“Memorandum”) is signed by and between OPAL CLT Community Land Trust (“OPAL CLT”) and _____ and _____ (“Lessees”) on this _____ day of _____, 20____.

1. Any and all interest of Lessees in that certain ground lease (“Lease”) executed by and between Lessees and OPAL CLT on or about _____ (a true and accurate copy of which is attached to this Memorandum as Appendix A) has been canceled, extinguished, and terminated in accord with the Lease terms.
2. Lessees and OPAL CLT have been released from any and all future obligations imposed on either of them by the Lease. Lessees and OPAL CLT may still be liable for any obligations outstanding prior to termination of the Lease.
3. This Memorandum shall be effective as of _____.

_____, 20____.
Lessee Date

_____, 20____.
Lessee Date

OPAL COMMUNITY LAND TRUST,
a nonprofit corporation

BY

_____, 20____.
OPAL Community Land Trust Date

MEMORANDUM OF LEASE TERMINATION

Lessee's Notary Acknowledgment

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

On this day personally appeared before me _____, to me known to be the individual, or individuals, described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this _____ day of _____, 20____.

(print name)_____
Notary Public in and for the State of Washington
My Appointment Expires _____

Lessee's Notary Acknowledgment

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

On this day personally appeared before me _____, to me known to be the individual, or individuals, described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this _____ day of _____, 20____.

(print name)_____
Notary Public in and for the State of Washington
My Appointment Expires _____

OPAL Community Land Trust's Notary Acknowledgment

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

On this day personally appeared before me _____, to me known to be the individual, or individuals, described in and who executed the within and foregoing instrument, and acknowledged that he/she/they signed the same as his/her/their free and voluntary act and deed, for the uses and purposes therein mentioned. Given under my hand and official seal this _____ day of _____, 20____.

(print name)_____
Notary Public in and for the State of Washington
My Appointment Expires _____