

When Recorded, Please Mail to:

OPAL Community Land Trust
PO Box 1133
Eastsound, WA 98245

MEMORANDUM OF LEASE

This Memorandum of Lease is entered into between OPAL Community Land Trust (“OPAL CLT”), and «Lessee» (“Lessee”).

1. MEMORANDUM OF LEASE: OPAL CLT in consideration of the rents reserved, and the terms, conditions, covenants and agreements as fully set forth herein and in the OPAL Community Land Trust Master Ground Lease recorded under San Juan County Auditor’s file No. 2005-0628-025, does hereby demise and lease unto Lessee, and Lessee does hereby take and hire from OPAL CLT, that real property described as: «AbbrevLegal», and more fully described in Exhibit A and referred to herein as the Premises. Lessee hereby acknowledges receipt of copies of said Master Ground Lease and the most current title report obtained by OPAL CLT for the Premises.

This Memorandum of Lease is made as of this «Begdate» day of, «Begmonth», «begyear».

**PROVISION OF SPECIFIC TERMS LEFT BLANK
IN THE MASTER GROUND LEASE**

- Page 1: THIS GROUND LEASE (“Lease”) is made and entered into this «Begdate» of «Begmonth», «begyear» by and between OPAL Community Land Trust (“OPAL”) as Lessor, and «Lessee» (“Lessee”) as Lessee.
- Page 2: ARTICLE III: DURATION OF LEASE
3.01 TERM: The term of this Lease shall be 99 years, commencing on the «Begdate» day of «Begmonth», «begyear», and terminating on the «enddate» day of «endmonth», «endyear», unless terminated sooner as provided herein.
- Page 5: 5.01(a) USE FEE: The Use Fee at the commencement of this lease shall be zero dollars (\$0.00).
- Page 21: 9.04 INSURANCE:
(b) Bodily Injury Liability Insurance: Lessee shall, at Lessee’s sole expense, maintain continuously in effect bodily injury liability insurance covering the Leased Land and its Improvements in the amounts of not less than **One-hundred thousand** Dollars (**\$100,000**) for injury to or death of any one person; and **Three-hundred thousand** Dollars (**\$300,000**) for injury to and death of any number of persons in one occurrence; and full replacement value for property damage, which in any event shall initially be no less than «Replacement Value» and shall be adjusted at least every two years.
- Page 24: 10.02 TRANSFERS TO INCOME QUALIFIED PERSONS:
“Income-Qualified Person” shall mean a person or group of persons whose household income does not exceed «Median Income words» percent («Median Income numb»%) 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.
- Page 27: 10.10 VALUATION
(a) ORIGINAL VALUE: OPAL and Lessee hereby agree that the fair market value of the Improvements existing on the Leased Land as of the commencement of the term of this Ground Lease is \$«origvalue» (the “Original Value”).
- Page 32: 14.02 NOTICES
If to Lessee:
«Lessee»
«address»
«TownZip»
- Page 32: 14.04 NO BROKERAGE: Lessee warrants and represents that it has not dealt with any broker other than N/A 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 N/A, Lessee shall defend the claim against OPAL with counsel of OPAL’s selection and save harmless and indemnify OPAL on account of loss, cost or damage which may arise by reason of any such action.

EXHIBIT A

THE LEASED PREMISES

The full legal description for the land referred to here in is:

«FullLegal», HARBOR UPLANDS, ALTERED, A PRIVATE SUBDIVISION, according to the Plat thereof, recorded in Volume 6, Page 4, with Auditors File Number 2004 1210009.

TOGETHER WITH a non-exclusive easement over, under and across “Potlatch Drive” as a means of ingress and egress and for the location, installation and maintenance of utilities as granted in the Dedication and as shown on the map of Harbor Uplands, Altered, a private subdivision.

TOGETHER WITH a right to install one driveway per Lot across said “Common Area” as granted in the Dedication and as said Common Area is shown on the map of Harbor Uplands, Altered, a private subdivision.

Situate in San Juan County, Washington.

The current Tax Parcel on this «Begdate» day of «Begmonth», «begyear» # is: «TaxParcel»

EXHIBIT B
(i) Letter of Stipulation

TO: OPAL Community Land Trust

This letter is an exhibit to a lease between myself and the OPAL Community Land Trust (hereafter "OPAL"), owner of the land located on Orcas Island, San Juan County, Washington on which I am purchasing a home. I agree to abide by the lease freely, without pressure from other parties, and with the intent of receiving certain benefits as described here.

I have chosen _____ as my legal counsel.

I have chosen to waive my right to legal counsel.

I have read the terms and conditions of the Lease and other legal documents that are part of this transaction and/or had them explained to me by my legal counsel. I understand the effects of these terms and conditions on my rights of ownership of the buildings erected on the leased property.

I understand that the following documents describe the special nature of my ownership of my home.

- a) this letter of stipulation and the Attorney's Declaration, if utilized
- b) a Deed of the Property to OPAL and other title information,
- c) the Ground Lease to which this is an exhibit,
- d) the Conditions, Covenants and Restrictions referenced in the Ground Lease, and
- d) the Articles of Incorporation and By-laws of OPAL.

The purpose of this Letter of Stipulation is to show to anyone who examines this transaction in the future that I understand and agree to the goals, terms, and conditions set out in these documents, and summarized as follows:

1. OPAL was founded to develop and preserve long-term affordable homeownership for people of limited resources.
2. The goal of OPAL is to encourage the transfer of decent affordable housing between people of low and moderate income as defined in the Ground Lease through the long-term leasing of the land on which housing is situated.
3. OPAL is the owner of the land on which the home I am buying is located.
4. OPAL is the owner of all infrastructure improvements on the land.
5. The maximum price at which I may resell the house I am purchasing is limited by a resale formula defined in the Ground Lease, in particular Article VII on Improvements, and Article X on Transfers and Sales. The price must be affordable to a household earning less than «Median Income numb»% of area median income.
6. I eagerly and freely accept the ownership of this home on these terms and conditions.
7. Both OPAL and I agree that the terms and conditions will make it more likely that if the home is sold at some time in the future it will be sold either directly or indirectly, at an affordable price to another low or moderate income person.
8. I intend to occupy the home according to the terms of the Ground Lease. OPAL will encourage this occupancy in all reasonable ways and provide me the rights and privileges normally associated with homeownership as stated in the Ground Lease.

It is my desire for reasons both of private motivation and sound public policy that the terms of the Ground Lease and the other documents be honored. I consider these terms fair and equitable to me.

Sincerely,

(Date)

(Date)

EXHIBIT D

**CONDITIONS, COVENANTS AND RESTRICTIONS
for «CCRs for words»**

Filed in San Juan County Auditor's File Number «CCRs Auditor »

EXHIBIT H INDEX OPTION PRICE

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

The adjustment formula is as follows:

$$[(OV \text{ or } MODIFIED \text{ OV}) \times (1 + INDEX)] + ADJUSTMENTS = IOP$$

The terms of this formula are defined as follows:

- (a) "OV" is the Original Value for the improvement set forth in Article X of the Ground Lease.
- (b) "INDEX" is the Consumer Price Index (CPI) for all items in the metropolitan tract that includes Seattle as set forth by the United States Department of Labor, Bureau of Labor Statistics (or any successor federal agency which assumes the compilation of such data). In the event that neither the United States Department of Labor nor any successor federal agency continues to determine and promulgate a Consumer Price Index or comparable figure for the region, Lessor shall reasonably select another measure of the change in consumer costs in San Juan County over the relevant time period, such other measure shall in that case be used as the Index. In any event, and in order to balance years of anomaly in the CPI, the increase in the index shall not be greater than an average of 4% per year. If the CPI is greater than an average of 4% per year during the period of ownership, the index shall be figured as 4% per year.
- (c) "MODIFIED OV" is a new Original Value determined as the result of construction that qualifies for Added Value ("AV"), as defined in Article X of the Ground Lease. Modified Original Value shall be established concurrent with the determination of Added Value. The Modified Original Value shall be determined as follows:

$$ORIGINAL \text{ VALUE} \times (1 + INDEX) + AV = MODIFIED \text{ OV}$$

The Added Value shall be the lesser of:

- (i) The Original Value per square foot, multiplied by one plus the CPI, as defined above, multiplied by the increase in square footage, multiplied by 50%. The formula for this calculation is as follows:

$$[OV \text{ per Square Foot} \times (1 + INDEX)] \times \text{Increase in Square Footage} \times .5$$

- (ii) the actual verified cost of Construction resulting in the Added Value, as documented in accordance with Section 10.10(e) of the Ground Lease.

- (d) “Adjustments” are added or subtracted to recognize the condition of the improvements. The methodology for determining Adjustments shall be adopted by the Board of Trustees of OPAL CLT and shall be based on criteria such as general maintenance, weatherization, condition of structural elements, and additions that do not require a building permit (such as a deck or outbuilding), as defined in Paragraph 10.10(c) of the Ground Lease. Adjustments may add up to 7.5% to the Index Option Price. The formula for calculating the maximum amount of the Adjustment is as follows:

$$[OV \times (1 + INDEX) + AV] \times 7.5\% = \text{MAXIMUM ADJUSTMENT}$$

The Adjustment is a total figure, unrelated to any number of years; it is not cumulative. The Adjustment value shall be determined by inspection of a representative of OPAL CLT’s Board of Trustees at the point of sale of the Improvement.

- (e) “IOP” is the Index Option Price, or Purchase Option Price, as described in Article X of the Ground Lease.

LESSEE: _____

By _____
(print or type name)

Lessee's Notary Acknowledgment

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

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

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

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

LESSEE: _____

By _____
(print or type name)

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 _____, _____.

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