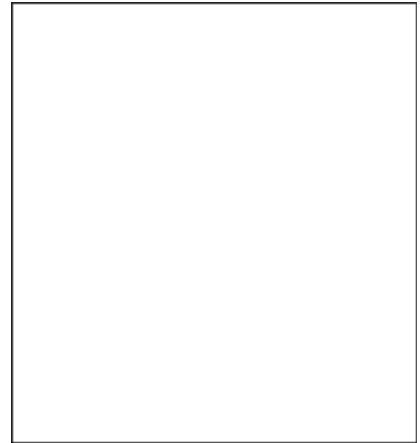


AFTER RECORDING PLEASE MAIL TO:

**OPAL Community Land Trust**  
**P. O. Box 1133**  
**Eastsound, WA 98245**



**OPAL Community Land Trust**  
**Master Ground Lease**  
**January 2016**

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

## TABLE OF CONTENTS

### RECITALS

### DEFINITIONS

**ARTICLE 1: Homeowner's Letter of Agreement and Attorney's Letter of Acknowledgment  
Are Attached as Exhibits.**

### **ARTICLE 2: Leasing of Rights to the Land**

- 2.1 OPAL LEASES THE LAND TO HOMEOWNER
- 2.2 MINERAL RIGHTS NOT LEASED TO HOMEOWNER

### **ARTICLE 3: Term of Lease, Change of Land Owner**

- 3.1 TERM OF LEASE IS 99 YEARS
- 3.2 HOMEOWNER MAY RENEW LEASE FOR ANOTHER 99 YEARS
- 3.3 WHAT HAPPENS IF OPAL DECIDES TO SELL THE LEASED LAND

### **ARTICLE 4: Use of Leased Land**

- 4.1 HOMEOWNER MAY USE THE HOME ONLY FOR RESIDENTIAL AND RELATED PURPOSES
- 4.2 HOMEOWNER MUST USE THE HOME AND LEASED LAND RESPONSIBLY AND IN COMPLIANCE WITH THE LAW
- 4.3 HOMEOWNER IS RESPONSIBLE FOR USE BY OTHERS
- 4.4 HOMEOWNER MUST OCCUPY THE HOME FOR AT LEAST 9 MONTHS EACH YEAR
- 4.5 LEASED LAND MAY NOT BE SUBLEASED WITHOUT OPAL'S PERMISSION
- 4.6 OPAL HAS A RIGHT TO INSPECT THE LEASED LAND

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

4.7 HOMEOWNER HAS A RIGHT TO QUIET ENJOYMENT

**ARTICLE 5: Fees**

5.1 AMOUNT OF FEES

5.2 WHEN THE FEES ARE TO BE PAID

5.3 HOW THE AMOUNT OF THE GROUND LEASE FEE IS DETERMINED

5.4 OPAL MAY REDUCE OR SUSPEND FEES TO IMPROVE AFFORDABILITY

5.5 LAND USE FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED

5.6 IF PAYMENT IS LATE, INTEREST CAN BE CHARGED

5.7 OPAL CAN COLLECT UNPAID FEES WHEN HOME IS SOLD

**ARTICLE 6: Taxes and Assessments**

6.1 HOMEOWNER IS RESPONSIBLE FOR PAYING ALL TAXES AND ASSESSMENTS

6.2 OPAL WILL PASS ON ANY TAX BILLS IT RECEIVES TO HOMEOWNER

6.3 HOMEOWNER HAS A RIGHT TO CONTEST TAXES

6.4 IF HOMEOWNER FAILS TO PAY TAXES, OPAL MAY INCREASE FEES

6.5 PARTY THAT PAYS TAXES MUST SHOW PROOF

**ARTICLE 7: The Home**

7.1 HOMEOWNER OWNS THE HOUSE AND ALL OTHER IMPROVEMENTS ON THE LEASED LAND

7.2 HOMEOWNER PURCHASES HOME WHEN SIGNING LEASE

7.3 CONSTRUCTION CARRIED OUT BY HOMEOWNER MUST COMPLY WITH CERTAIN REQUIREMENTS

7.4 HOMEOWNER MAY NOT ALLOW STATUTORY LIENS TO REMAIN AGAINST LEASED LAND OR HOME

7.5 HOMEOWNER IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

7.6 AN EXTERIOR REPAIR & REPLACEMENT RESERVE FUND IS ESTABLISHED TO SUPPORT FUTURE REPAIRS

7.7 WHEN LEASE ENDS, OWNERSHIP REVERTS TO OPAL, WHICH SHALL REIMBURSE HOMEOWNER

**ARTICLE 8: Financing**

8.1 HOMEOWNER CANNOT MORTGAGE THE HOME WITHOUT OPAL'S PERMISSION

8.2 BY SIGNING LEASE, OPAL GIVES PERMISSION FOR ORIGINAL MORTGAGE

8.3 HOMEOWNER MUST GET SPECIFIC PERMISSION FOR REFINANCING OR OTHER SUBSEQUENT MORTGAGES

8.4 OPAL IS REQUIRED TO PERMIT A "STANDARD PERMITTED MORTGAGE"

8.5 A PERMITTED MORTGAGEE HAS CERTAIN OBLIGATIONS UNDER THE LEASE

8.6 A PERMITTED MORTGAGEE HAS CERTAIN RIGHTS UNDER THE LEASE

8.7 IN THE EVENT OF FORECLOSURE, ANY PROCEEDS IN EXCESS OF THE PURCHASE OPTION PRICE WILL GO TO OPAL

**ARTICLE 9: Liability, Insurance, Damage and Destruction, Eminent Domain**

9.1 HOMEOWNER ASSUMES ALL LIABILITY

9.2 HOMEOWNER MUST DEFEND OPAL AGAINST ALL CLAIMS OF LIABILITY

9.3 HOMEOWNER MUST REIMBURSE OPAL

9.4 HOMEOWNER MUST INSURE THE HOME AGAINST LOSS AND MUST MAINTAIN LIABILITY INSURANCE ON HOME AND LEASED LAND

9.5 WHAT HAPPENS IF HOME IS DAMAGED OR DESTROYED

9.6 WHAT HAPPENS IF SOME OR ALL OF THE LAND IS TAKEN FOR PUBLIC USE

9.7 IF PART OF THE LAND IS TAKEN, THE GROUND LEASE FEE MAY BE REDUCED

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

9.8 IF LEASE IS TERMINATED BY DAMAGE, DESTRUCTION OR TAKING, OPAL WILL TRY TO HELP HOMEOWNER BUY ANOTHER OPAL HOME

**ARTICLE 10: Transfer of the Home**

10.1 INTENT OF THIS ARTICLE IS TO PRESERVE AFFORDABILITY

10.2 HOMEOWNER MAY TRANSFER HOME ONLY TO OPAL OR QUALIFIED PERSONS

10.3 THE HOME MAY BE TRANSFERRED TO CERTAIN HEIRS OF HOMEOWNER

10.4 HOMEOWNERS MUST GIVE NOTICE OF INTENT TO SELL

10.5 OPAL HAS AN OPTION TO PURCHASE THE HOME

10.6 IF PURCHASE OPTION EXPIRES, HOMEOWNER MAY SELL ON CERTAIN TERMS

10.7 AFTER ONE YEAR OPAL SHALL HAVE POWER OF ATTORNEY TO CONDUCT SALE

10.8 PURCHASE OPTION PRICE EQUALS THE LESSER OF THE FORMULA PRICE or A PERCENTAGE OF THE APPRAISED FEE SIMPLE MARKET VALUE

10.9 RESERVED

10.10 HOW THE FORMULA PRICE IS CALCULATED

10.11 QUALIFIED PURCHASER SHALL RECEIVE NEW LEASE

10.12 LEASE CANCELLATION FEE

10.13 HOMEOWNER REQUIRED TO MAKE NECESSARY REPAIRS AT TRANSFER

**ARTICLE 11: Reserved**

**ARTICLE 12: Default**

12.1 WHAT HAPPENS IF HOMEOWNER FAILS TO MAKE PAYMENTS TO OPAL THAT ARE REQUIRED IN THE GROUND LEASE

12.2 WHAT HAPPENS IF HOMEOWNER VIOLATES OTHER (NONMONETARY) TERMS OF THE LEASE

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

12.3 MONETARY REMEDIES FOR VIOLATION OF CONDITIONS, COVENANTS AND RESTRICTIONS

12.4 WHAT HAPPENS IF HOMEOWNER DEFAULTS AS A RESULT OF JUDICIAL PROCESS

12.5 A DEFAULT (UNCURED VIOLATION) GIVES OPAL THE RIGHT TO TERMINATE THE LEASE OR EXERCISE ITS PURCHASE OPTION

12.6 WHAT HAPPENS IF OPAL DEFAULTS

**ARTICLE 13: Mediation and Arbitration**

13.1 MEDIATION AND ARBITRATION ARE PERMITTED

13.2 HOMEOWNER AND OPAL SHALL SHARE COST OF ANY MEDIATION OR ARBITRATION

**ARTICLE 14: General Provisions**

14.1 HOMEOWNER'S MEMBERSHIP IN OPAL

14.2 NOTICES

14.3 NO BROKERAGE

14.4 SEVERABILITY AND DURATION OF LEASE

14.5 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION

14.6 WAIVER

14.7 OPAL'S RIGHT TO PROSECUTE OR DEFEND

14.8 CONSTRUCTION

14.9 HEADINGS AND TABLE OF CONTENTS

14.10 PARTIES BOUND

14.11 GOVERNING LAW

14.12 RECORDING

**Exhibits That Must Be Attached**

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

Exhibit A HOMEOWNER'S LETTER OF AGREEMENT AND ATTORNEY'S LETTER  
OF ACKNOWLEDGMENT

Exhibit B LEASED LAND

Exhibit C DEED TO IMPROVEMENTS ONLY

Exhibit D PERMITTED MORTGAGES

Exhibit E FIRST REFUSAL

Exhibit F CONDITIONS, COVENANTS AND RESTRICTIONS

**Other Exhibits to be Attached as Appropriate**

Exhibit ZONING

**OPAL COMMUNITY LAND TRUST  
MASTER GROUND LEASE**

THIS LEASE (“this Lease” or “the Lease”) entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between OPAL Community Land Trust (OPAL) and \_\_\_\_\_(Homeowner).

**RECITALS**

- A.** OPAL is organized exclusively for charitable purposes, including the purpose of providing homeownership opportunities for low- and moderate-income people who would otherwise be unable to afford homeownership.
- B.** A goal of OPAL is to preserve affordable homeownership opportunities through the long-term leasing of land under owner-occupied homes.
- C.** The Leased Land described in this Lease has been acquired and is being leased by OPAL in furtherance of this goal.
- D.** The Homeowner shares the purposes of OPAL and has agreed to enter into this Lease not only to obtain the benefits of homeownership, but also to further the charitable purposes of OPAL.
- E.** Homeowner and OPAL recognize the special nature of the terms of this Lease, and each of them accepts these terms, including those terms that affect the marketing and resale price of the property now being purchased by the Homeowner.
- F.** Homeowner and OPAL agree that the terms of this Lease further their shared goals over an extended period of time and through a succession of owners.

**NOW THEREFORE**, Homeowner and OPAL agree on all of the terms and conditions of this Lease as set forth below.



**DEFINITIONS**

Homeowner and OPAL agree on the following definitions of key terms used in this Lease:

*Leased Land:* the parcel of land, described in Exhibit B, LEASED LAND, that is leased to the Homeowner.

*Home:* the residential structure and other permanent improvements located on the Leased Land and owned by the Homeowner, including both the original Home described in Exhibit C, DEED TO IMPROVEMENTS ONLY, and all permanent improvements added thereafter by Homeowner at Homeowner's expense.

*Base Price:* the total price that is paid for the Home by the Homeowner.

*Purchase Option Price:* the maximum price the Homeowner is allowed to receive for the sale of the Home and the Homeowner's right to possess, occupy and use the Leased Land, as defined in Article 10 of this Lease.

*Fees:* The monthly fees that the Homeowner pays to OPAL for the continuing use of the Leased Land and any additional amounts that OPAL charges to the Homeowner for reasons permitted by this Lease.

*Memorandum of Lease:* The document that is filed in the public record for each specific transaction. The Memorandum of Lease references this Master Lease and contains the information filled into blank spaces that pertain to the agreement between the Homeowner and OPAL.

*Permitted Mortgage:* A mortgage or deed of trust on the Home and the Homeowner's right to possess, occupy and use the Leased Land granted to a lender by the Homeowner with OPAL's Permission. The Homeowner may not mortgage OPAL's interest in the Leased Land, and may not grant any mortgage or deed of trust without OPAL's Permission.

*Event of Default:* Any violation of the terms of the Lease unless it has been corrected ("cured") by Homeowner or the holder of a Permitted Mortgage in the specified period of time after a written Notice of Default has been given by OPAL.

**ARTICLE 1: Homeowner's Letter of Agreement and Attorney's Letter of Acknowledgment Are Attached as Exhibits**

Attached as Exhibit A, HOMEOWNER'S LETTER OF AGREEMENT AND ATTORNEY'S LETTER OF ACKNOWLEDGMENT, and made part of this Lease by reference are a Letter of Agreement from the Homeowner, describing the Homeowner's understanding and acceptance of this Lease (including the parts of the Lease that affect the resale of the Home), and a Letter of Acknowledgment from the Homeowner's attorney, describing the attorney's review of the Lease with the Homeowner.

**ARTICLE 2: Leasing of Rights to the Land**

2.1 OPAL LEASES THE LAND TO HOMEOWNER: OPAL hereby leases to the Homeowner, and Homeowner hereby accepts, the right and associated responsibilities to possess, occupy and use the Leased Land (described in the attached Exhibit B LEASED LAND) in accordance with the terms of this Lease. OPAL has furnished to Homeowner a copy of the most current title report, if any, obtained by OPAL for the Leased Land, and Homeowner accepts title to the Leased Land in its condition "as is" as of the signing of this Lease.

2.2 MINERAL RIGHTS NOT LEASED TO HOMEOWNER: OPAL does not lease to Homeowner the right to remove from the Leased Land any minerals lying beneath the Leased Land's surface. Ownership of such minerals remains with OPAL, but OPAL shall not remove any such minerals from the Leased Land without the Homeowner's written permission.

**ARTICLE 3: Term of Lease, Change of Land Owner**

3.1 TERM OF LEASE IS 99 YEARS: This Lease shall remain in effect for the life of the Homeowner, or 99 years, whichever is longer, beginning on the \_\_\_ day of \_\_\_\_\_,

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

20\_\_, and ending on the \_\_\_\_\_ day of \_\_\_\_\_, 21\_\_\_\_, unless ended sooner or renewed as provided below.

3.2 HOMEOWNER MAY RENEW LEASE FOR ANOTHER 99 YEARS: Homeowner may renew this Lease for one additional period of 99 years. OPAL may change the terms of the Lease for the renewal period prior to the beginning of the renewal period but only if these changes do not materially and adversely interfere with the rights possessed by Homeowner under the Lease. Not more than 365 nor less than 180 days before the last day of the first 99-year period, OPAL shall give Homeowner a written notice (the “Expiration Notice”) that states the date of the expiration of the first 99-year period and the conditions for renewal as set forth in the following paragraph. The Expiration Notice shall also describe any changes that OPAL intends to make in the Lease for the renewal period as permitted above.

The Homeowner shall then have the right to renew the Lease only if the following conditions are met: (a) within 60 days of receipt of the Expiration Notice, the Homeowner shall give OPAL written notice (the “Renewal Notice”) stating the Homeowner’s desire to renew; (b) this Lease shall be in effect on the last day of the original 99-year term, and (c) the Homeowner shall not be in default under this Lease or under any Permitted Mortgage on the last day of the original 99-year term.

When Homeowner has exercised the option to renew, Homeowner and OPAL shall sign a memorandum stating that the option has been exercised. The memorandum shall comply with the requirements for a Notice of Lease as stated in Section 14.12 below. OPAL shall record this memorandum in accordance with the requirements of law promptly after the beginning of the renewal period.

3.3 WHAT HAPPENS IF OPAL DECIDES TO SELL THE LEASED LAND: If ownership of the Leased Land is ever transferred by OPAL (whether voluntarily or involuntarily) to any other person or institution, this Lease shall not cease, but shall remain binding on the new landowner as well as the Homeowner. If OPAL agrees to transfer the Leased Land to any person or institution

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

other than a nonprofit corporation, charitable trust, government agency or other similar institution sharing the goals described in the Recitals above, the Homeowner shall have a right of first refusal to purchase the Leased Land. The details of this right shall be as stated in the attached Exhibit FIRST REFUSAL. Any sale or other transfer contrary to this Section 3.3 shall be null and void.

3.4 IF HOME IS NOT YET CONSTRUCTED: If this Lease is executed before or during the course of construction, the Lease shall not be deemed effective until and unless construction is complete, a certificate of occupancy has been issued and the Title to the Home has been transferred to the Homeowner.

**ARTICLE 4: Use of Leased Land**

4.1 HOMEOWNER MAY USE THE HOME ONLY FOR RESIDENTIAL AND RELATED PURPOSES: Homeowner shall use, and allow others to use, the Home and Leased Land only for residential purposes and any activities related to residential use that are permitted by local zoning law. Use of the Leased Land may be further limited by the restrictions described in the attached Exhibit F, CONDITIONS, COVENANTS AND RESTRICTIONS.

4.2 HOMEOWNER MUST USE THE HOME AND LEASED LAND RESPONSIBLY AND IN COMPLIANCE WITH THE LAW: Homeowner shall use the Home and Leased Land in a way that will not cause harm to others or create any public nuisance. Homeowner shall dispose of all waste in a safe and sanitary manner. Homeowner shall maintain all parts of the Home and Leased Land in a safe, sound and habitable condition, in full compliance with all laws and regulations, and in the condition that is required to maintain the insurance coverage required by Section 9.4 of this Lease.

4.3 HOMEOWNER IS RESPONSIBLE FOR USE BY OTHERS: Homeowner shall be responsible for the use of the Home and Leased Land by all residents and visitors and anyone else using the Leased Land with Homeowner's permission and shall make all such people aware of the restrictions on use set forth in this Lease.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

4.4 HOMEOWNER MUST OCCUPY THE HOME FOR AT LEAST 9 MONTHS EACH YEAR: Homeowner shall occupy the Home for at least 9 months of each year of this Lease, unless otherwise agreed by OPAL. Occupancy by a Homeowner's child, spouse or other persons approved by OPAL shall be considered occupancy by the Homeowner. Neither compliance with the occupancy requirement nor OPAL's permission for an extended period of non-occupancy constitutes permission to sublease the Leased Land and Home, which is addressed in Section 4.5 below.

4.5 LEASED LAND MAY NOT BE SUBLEASED WITHOUT OPAL'S PERMISSION. Except as otherwise provided in Article 8 and Article 10, Homeowner shall not sublease, sell or otherwise convey any of Homeowner's rights under this Lease, for any period of time, without the written permission of OPAL. Homeowner agrees that OPAL shall have the right to withhold such consent in order to further the purposes of this Lease.

If permission for subleasing is granted, the sublease shall be subject to the following conditions:

- (a) Any sublease shall be subject to all of the terms of this Lease.
- (b) The rental or occupancy fee charged the tenant shall not be more than the amount of the Ground Lease Fee charged the Homeowner by OPAL, plus an amount approved by OPAL to cover Homeowner's costs in owning the Home, including but not limited to the cost of taxes, insurance and mortgage interest.
- (c) The Tenant occupying the Home under an approved sublease must be approved by OPAL as income-eligible. Such approval is only to ensure that the Home continues to be occupied by an income-eligible household and is in no way a guarantee of credit worthiness or the tenant's ability to pay rent.

4.6 OPAL HAS A RIGHT TO INSPECT THE LEASED LAND: OPAL may inspect any part of the Leased Land except the interiors of fully enclosed buildings, at any reasonable time, after notifying the Homeowner at least 24 hours before the planned inspection. No more than 3 regular inspections may be carried out in a single year, except in the case of an emergency. In an emergency,

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

OPAL may inspect any part of the Leased Land except the interiors of fully enclosed buildings, after making reasonable efforts to inform the Homeowner before the inspection.

If OPAL has received an Intent-to-Sell Notice (as described in Section 10.4 below), then OPAL has the right to inspect the interiors of all fully enclosed buildings to determine their condition prior to the sale. OPAL must notify the Homeowner at least 24 hours before carrying out such inspection.

4.7 HOMEOWNER HAS A RIGHT TO QUIET ENJOYMENT: Homeowner has the right to quiet enjoyment of the Leased Land. OPAL has no desire or intention to interfere with the personal lives, associations, expressions, or actions of the Homeowner in any way not permitted by this Lease.

**ARTICLE 5: Fees**

5.1 AMOUNT OF FEES: The Homeowner shall pay a monthly fee in an amount equal to the sum of:

(a) Ground Lease Fee of \$\_\_\_\_\_ to be paid in return for the continuing right to possess, occupy and use the Leased Land, will be calculated annually and is made up of the following:

- (1) a Land Use Fee established at the commencement of this lease to be **\$0**; plus
- (2) one-twelfth (1/12) of the annual administrative charges applicable to the Leased Land, as determined by OPAL CLT in its sole discretion; plus
- (3) special assessments or tax adjustments against the Leased Land or Home prorated over the number of months for which said assessments or adjustments apply; plus
- (4) one-twelfth (1/12) of the annual insurance premiums for such insurance as OPAL CLT may from time to time carry with respect to the Leased Land; plus
- (5) one-twelfth (1/12) of the annual real estate taxes and any other municipal charges (such as water and sewer charges) whatsoever applicable to the Leased Land; plus

(b) Reserve Fund made up of the following:

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

- (1) an Exterior Repair and Replacement Reserve Fee of **\$50** to be held by OPAL and used for the purpose of preserving the exterior weather seal and physical integrity of the Home for the long term in accordance with Section 7.6 below; plus
  - (2) one-twelfth (1/12) of the annual reserves applicable to the Leased Land, Site Infrastructure and Improvements, as determined by OPAL CLT in its sole discretion; plus
- (c) any of the following, should they apply:
- (1) 1/12 of the annual homeowner association dues.
  - (2) all fees, costs, and expenses, including, without limitation, reasonable attorneys' fees, incurred by OPAL CLT in connection with any Permitted Mortgage; plus
  - (3) any monetary penalties imposed because of a violation of the Covenants, Conditions and Restrictions applicable to the Leased Land, as described in EXHIBIT F of the Memorandum of Lease; plus

5.2 WHEN FEES ARE TO BE PAID: The Fee shall be payable to OPAL on the first day of each month (the "Due Date") for as long as this Lease remains in effect, unless the Fee is to be escrowed and paid by a Permitted Mortgagee, in which case payment shall be made as directed by that Mortgagee.

5.3 HOW THE AMOUNT OF THE GROUND LEASE FEE IS DETERMINED: Promptly after the receipt by OPAL of any bills for the upcoming year for any items listed in Section 5.1 above, but in any event not later than December 15th of each year, OPAL shall give Homeowner 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 gives such notice (such as property taxes), or if such item does not get billed out on an annual basis (such as maintenance charges), OPAL 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 receives a bill, an adjustment shall be made in the Ground Lease Fee to account for any discrepancies

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

between estimated and actual charges or fees, and Homeowner shall be notified thereof promptly after OPAL receives the applicable bill.

5.4 OPAL MAY REDUCE OR SUSPEND FEES TO IMPROVE AFFORDABILITY: OPAL may reduce or suspend the total amount of the Fees due for a period of time for the purpose of improving the affordability of the Homeowner's monthly housing costs. Any such reduction or suspension must be in writing and signed by OPAL.

5.5 LAND USE FEE WILL BE INCREASED IF RESTRICTIONS ARE REMOVED: If, for any reason, the provisions of Article 10 regarding transfers of the Home or Sections 4.4 and 4.5 regarding occupancy and subleasing are suspended or invalidated for any period of time, then during that time the Land Use Fee described in section 5.1 (a) (1) shall be increased to an amount calculated by OPAL to equal the fair rental value of the Leased Land for use not restricted by the suspended provisions, but initially an amount not exceeding \$ \_\_\_\_\_. Such increase shall become effective upon OPAL's written notice to Homeowner. Thereafter, for so long as these restrictions are not reinstated in the Lease, OPAL may, from time to time, further increase the amount of such Land Use Fee, provided that the amount of the Land Use Fee does not exceed the fair rental value of the property, and provided that such increases do not occur more often than once in every 2 years.

5.6 IF PAYMENT IS LATE, INTEREST CAN BE CHARGED: If OPAL has not received any monthly installment of the Fee on or before the date on which such installment first becomes payable under this Lease (the "Due Date"), OPAL may require Homeowner to pay interest on the unpaid amount from the Due Date through and including the date such payment or installment is received by OPAL, at a rate not to exceed 10%. Such interest shall be deemed additional Fee and shall be paid by Homeowner to OPAL upon demand; provided, however, that OPAL shall waive any such interest that would otherwise be payable to OPAL if such payment of the Fee is received by OPAL on or before the twentieth (20<sup>th</sup>) day after the Due Date.

5.7 OPAL CAN COLLECT UNPAID FEES WHEN HOME IS SOLD: In the event that any amount of payable Fee remains unpaid when the Home is sold, the outstanding amount of payable



## OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

Fee, including any interest as provided above, shall be paid to OPAL out of any proceeds from the sale that would otherwise be due to Homeowner. OPAL shall have, and the Homeowner hereby consents to, a lien upon the Home for any unpaid Fee. Such lien shall be prior to all other liens and encumbrances on the Home except (a) liens and encumbrances recorded before the recording of this Lease (b) Permitted Mortgages as defined in section 8.1 below, and (c) liens for real property taxes and other governmental assessments or charges against the Home. Such liens may be enforced and foreclosed in the manner of "mechanics and materialmen's liens" under chapter 60.04 RCW.

### **ARTICLE 6: Taxes and Assessments**

#### **6.1 HOMEOWNER IS RESPONSIBLE FOR PAYING ALL TAXES AND ASSESSMENTS:**

Homeowner shall pay directly, when due, all taxes and governmental or utility assessments that relate to the Home and the Leased Land (including any taxes relating to OPAL's interest in the Leased Land).

**6.2 OPAL WILL PASS ON ANY TAX BILLS IT RECEIVES TO HOMEOWNER:** In the event that the local taxing authority bills OPAL for any portion of the taxes on the Home or Leased Land, OPAL shall notify Homeowner of any taxes due and Homeowner shall promptly pay this bill.

**6.3 HOMEOWNER HAS A RIGHT TO CONTEST TAXES:** Homeowner shall have the right to contest the amount or validity of any taxes relating to the Home and Leased Land. Upon receiving a reasonable request from Homeowner for assistance in this matter, OPAL shall join in contesting such taxes. All costs of such proceedings shall be paid by the Homeowner.

**6.4 IF HOMEOWNER FAILS TO PAY TAXES, OPAL MAY INCREASE FEES:** In the event that Homeowner fails to pay the taxes or other charges described in Section 6.1 above, OPAL may increase Homeowner's Ground Lease Fee to offset the amount of taxes and other charges owed by Homeowner. Upon collecting any such amount, OPAL shall pay the amount collected to the taxing authority in a timely manner.

6.5 PARTY THAT PAYS TAXES MUST SHOW PROOF: When either party pays taxes relating to the Home or Leased Land, that party shall furnish satisfactory evidence of the payment to the other party.

**ARTICLE 7: The Home**

7.1 HOMEOWNER OWNS THE HOME AND ALL OTHER IMPROVEMENTS ON THE LEASED LAND: All structures, including the house, utilities, fixtures, permanently installed equipment and other improvements purchased, constructed, or installed by the Homeowner on any part of the Leased Land at any time during the term of this Lease (collectively, the “Home”) shall be the property of the Homeowner. Title to the Home shall be and remain vested in the Homeowner. However, Homeowner’s rights of ownership are limited by certain provisions of this Lease, including provisions regarding the sale or leasing of the Home by the Homeowner and OPAL’s option to purchase the Home. In addition, Homeowner shall not remove any part of the Home from the Leased Land without OPAL’s prior written consent.

7.2 HOMEOWNER PURCHASES HOME WHEN SIGNING LEASE: Upon the signing of this Lease, Homeowner is simultaneously purchasing the Home located at that time on the Leased Land as described in the Statutory Warranty Deed. In the event the Home has yet to be constructed, the Homeowner shall sign the Lease and simultaneously enter into a Construction Contract to build a Home to be located on the Leased Land.

7.3 CONSTRUCTION CARRIED OUT BY HOMEOWNER MUST COMPLY WITH CERTAIN REQUIREMENTS: Any construction in connection with the Home is permitted only if the following requirements are met: (a) all costs shall be paid by the Homeowner; (b) all construction shall be performed in a professional manner and shall comply with all applicable laws and regulations; (c) all changes in the Home shall be consistent with the permitted uses described in Article 4; (d) the footprint, square-footage, or height of the house shall not be increased and new

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

structures shall not be built or installed on the Leased Land without the prior written consent of OPAL.

For any construction requiring OPAL's prior written consent, Homeowner shall submit a written request to OPAL. Such request shall include:

- (a) a set of drawings (floor plan and elevations) showing the dimensions of the proposed construction;
- (b) a list of the necessary materials, with quantities needed;
- (c) a statement of who will do the work.

If OPAL finds it needs additional information, it shall request such information from Homeowner within two weeks of receipt of Homeowner's request. OPAL then, within two weeks of receiving all necessary information (including any additional information it may have requested), shall give Homeowner either its written consent or a written statement of its reasons for not consenting. Before construction can begin, Homeowner shall provide OPAL with copies of all necessary building permits, if not previously provided.

7.4 HOMEOWNER MAY NOT ALLOW STATUTORY LIENS TO REMAIN AGAINST

LEASED LAND OR HOME: No lien of any type shall attach to OPAL's title to the Leased Land. Homeowner shall not permit any statutory or similar lien to be filed against the Leased Land or the Home, which remains more than 60 days after it has been filed. Homeowner shall take action to discharge such lien, whether by means of payment, deposit, bond, court order, or other means permitted by law. If Homeowner fails to discharge such lien within the 60-day period, then Homeowner shall immediately notify OPAL of such failure. OPAL shall have the right to discharge the lien by paying the amount in question. Homeowner may, at Homeowner's expense, contest the validity of any such asserted lien, provided Homeowner has furnished a bond or other acceptable surety in an amount sufficient to release the Leased Land from such lien. Any amounts paid by OPAL to discharge such liens shall be treated as an additional Ground Lease Fee payable by Homeowner upon demand.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

7.5 HOMEOWNER IS RESPONSIBLE FOR SERVICES, MAINTENANCE AND REPAIRS:

Homeowner hereby assumes responsibility for furnishing all services, utilities or facilities on the Leased Land, including but not limited to heat, electricity, air conditioning, water and sewer. OPAL shall not be required to furnish any services, utilities or facilities or to make any repairs to the Home. Homeowner shall maintain the Home and Leased Land as required by Section 4.2 above and shall see that all necessary repairs and replacements are accomplished when needed.

7.6 EXTERIOR REPAIR AND REPLACEMENT RESERVE FUND IS ESTABLISHED TO SUPPORT FUTURE REPAIRS:

(a) The parties acknowledge that the Homeowner is responsible for all maintenance and repair of the Home, as set forth in this Lease. As an additional assurance that all Homeowners are able to comply with their maintenance and repair obligations, OPAL and Homeowner agree that an Exterior Repair and Replacement Reserve Fee will be collected from each Homeowner as part of the Fee, as provided in Section 5.1(b) and held as a reserve by OPAL for any significant required maintenance and repair of the roof, exterior siding, exterior paint and finishes or similar features of the Home.

(b) The Exterior Repair and Replacement Reserve Fee shall be held in a separate fund for each Improvement and shall only be released by OPAL at its sole discretion for each individual property for which the Exterior Repair and Replacement Reserve Fee was paid. Homeowner may request release of the funds, and OPAL 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 may reasonably withhold Exterior Repair and Replacement Reserve 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) Homeowner acknowledges that the Exterior Repair and Replacement Reserve Fund is intended for, and shall remain with, the Home and not the Homeowner. In the event the Home is sold or transferred by Homeowner, the unused Exterior Repair and Replacement Reserve funds will

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

be retained in the fund by OPAL for future maintenance and repair needs to the Home and will not be recoverable by or returned to Homeowner for any purpose other than those described in Section 7.6(a). It is the Homeowner's responsibility to fund from Homeowner's resources all required maintenance and repair needs of the Home that are not, or cannot be, covered by the Exterior Repair & Replacement Reserve funds held by OPAL.

7.7 WHEN LEASE ENDS, OWNERSHIP REVERTS TO OPAL, WHICH SHALL REIMBURSE HOMEOWNER: Upon the expiration or termination of this Lease, ownership of the Home shall revert to OPAL. Upon thus assuming title to the Home, OPAL shall promptly pay an amount up to the Purchase Option Price to the Homeowner and Permitted Mortgagee(s), as follows:

FIRST, OPAL shall pay any Permitted Mortgagee(s) the full amount owed to such mortgagee(s) by Homeowner in so far as that amount does not exceed the Purchase Option Price. In no event shall the total amount that CLT is required to pay Permitted Mortgagees be greater than the Purchase Option Price;

SECOND, OPAL shall pay the Homeowner the balance of the Purchase Option Price calculated in accordance with Article 10 below, as of the time of reversion of ownership, less the total amount of any unpaid Fees and any other amounts owed to OPAL under the terms of this Lease. The Homeowner shall be responsible for any costs necessary to clear any additional liens or other charges related to the Home which may be assessed against the Home. If the Homeowner fails to clear such liens or charges, the balance due the Homeowner shall also be reduced by the amount necessary to release such liens or charges, including reasonable attorneys fees incurred by OPAL.

**ARTICLE 8: Financing**

8.1 HOMEOWNER CANNOT MORTGAGE THE HOME WITHOUT OPAL'S PERMISSION: The Homeowner may mortgage the Home only with the written permission of

## OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

OPAL. Any mortgage or deed of trust permitted in writing by OPAL is defined as a Permitted Mortgage, and the holder of such a mortgage or deed of trust is defined as a Permitted Mortgagee.

8.2 BY SIGNING LEASE, OPAL GIVES PERMISSION FOR ORIGINAL MORTGAGE. By signing this Lease, OPAL gives written permission for any mortgage or deed of trust signed by the Homeowner effective on the day this Lease is signed for the purpose of financing Homeowner's purchase of the Home.

8.3 HOMEOWNER MUST GET SPECIFIC PERMISSION FOR REFINANCING OR OTHER SUBSEQUENT MORTGAGES. If, at any time subsequent to the purchase of the Home and signing of the Lease, the Homeowner seeks a loan that is to be secured by a mortgage on the Home (to refinance an existing Permitted Mortgage or to finance home repairs or for any other purpose), Homeowner must inform OPAL, in writing, of the proposed terms and conditions of such mortgage loan at least 15 business days prior to the expected closing of the loan. The information to be provided to OPAL must include:

- (a) the name of the proposed lender;
- (b) Homeowner's reason for requesting the loan;
- (c) the principal amount of the proposed loan and the total mortgage debt that will result from the combination of the loan and existing mortgage debt, if any;
- (d) expected closing costs;
- (e) the rate of interest;
- (f) the repayment schedule;
- (g) a copy of the appraisal commissioned in connection with the loan request.

OPAL may also require Homeowner to submit additional information. OPAL will not permit such a mortgage loan if the loan increases Homeowner's total mortgage debt to an amount that is either greater than 95% of the then current Purchase Option Price, calculated in accordance with Article 10 below, or 80% of the appraised value, whichever is less, or if the terms of the transaction otherwise threaten the interests of either the Homeowner or OPAL. At the time the new Permitted

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

Mortgage is secured, and as part of OPAL's approval process, this Lease may be amended to include the following information, which is here left intentionally blank:

- (a) the Purchase Option Price is \$ \_\_\_\_\_ .
- (b) less any remaining existing mortgages (\$ \_\_\_\_\_ ),
- (c) less any subsidy recapture as calculated by USDA or other lenders (\$ \_\_\_\_\_ )
- (d) for a new mortgage not to exceed \$ \_\_\_\_\_ .

8.4 OPAL IS REQUIRED TO PERMIT A "STANDARD PERMITTED MORTGAGE." OPAL shall be required to permit any mortgage for which the mortgagee has signed a "Standard Permitted Mortgage Agreement" as set forth in Exhibit D: Permitted Mortgages, Part C, and for which the loan secured thereby does not increase Homeowner's total mortgage debt to an amount greater than 95% of the then current Purchase Option Price, calculated in accordance with Article 10 below.

8.5 A PERMITTED MORTGAGEE HAS CERTAIN OBLIGATIONS UNDER THE LEASE.

Any Permitted Mortgagee shall be bound by each of the requirements stated in Exhibit D Permitted Mortgages, Part A, Obligations of Permitted Mortgagee, which is made a part of this Lease by reference, unless the particular requirement is removed, contradicted or modified by a Rider to this Lease signed by the Homeowner and OPAL to modify the terms of the Lease during the term of the Permitted Mortgage.

8.6 A PERMITTED MORTGAGEE HAS CERTAIN RIGHTS UNDER THE LEASE. Any Permitted Mortgagee shall have all of the rights and protections stated in Exhibit D Permitted Mortgages, Part B, Rights of Permitted Mortgagee, which is made a part of this Lease by reference.

8.7 IN THE EVENT OF FORECLOSURE, ANY PROCEEDS IN EXCESS OF THE PURCHASE OPTION PRICE WILL GO TO OPAL. Homeowner and OPAL recognize that it would be contrary to the purposes of this agreement if Homeowner could receive more than the Purchase Option Price as the result of the foreclosure of a mortgage. Therefore, Homeowner hereby irrevocably assigns to OPAL all net proceeds of sale of the Home that would otherwise have been payable to Homeowner and that exceed the amount of net proceeds that Homeowner would have

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

received if the property had been sold for the Purchase Option Price, calculated as described in Section 10.8 below. Homeowner authorizes and instructs the Permitted Mortgagee, or any party conducting any sale, to pay such excess amount directly to OPAL. If, for any reason, such excess amount is paid to Homeowner, Homeowner hereby agrees to promptly pay such amount to OPAL.

**ARTICLE 9: Liability, Insurance, Damage and Destruction, Eminent Domain**

9.1 HOMEOWNER ASSUMES ALL LIABILITY. Homeowner assumes all responsibility and liability related to Homeowner's possession, occupancy and use of the Leased Land.

9.2 HOMEOWNER MUST DEFEND OPAL AGAINST ALL CLAIMS OF LIABILITY.

Homeowner shall defend, indemnify and hold OPAL harmless against all liability and claims of liability for injury or damage to person or property from any cause on or about the Leased Land.

Homeowner waives all claims against OPAL for injury or damage on or about the Leased Land.

However, OPAL shall remain liable for injury or damage due to the grossly negligent or intentional acts or omissions of OPAL or OPAL's agents or employees.

9.3 HOMEOWNER MUST REIMBURSE OPAL. In the event OPAL shall be required to pay any sum that is the Homeowner's responsibility or liability, the Homeowner shall reimburse OPAL for such payment and for reasonable expenses caused thereby.

9.4 HOMEOWNER MUST INSURE THE HOME AGAINST LOSS AND MUST MAINTAIN LIABILITY INSURANCE ON HOME AND LEASED LAND. Homeowner shall, at

Homeowner's expense, keep the Home continuously insured against all risks of physical loss, using Insurance Services Office (ISO) Form HO 00 03, or its equivalent, for the full replacement value of the Home, and in any event in an amount that will not incur a coinsurance penalty. The amount of such insured replacement value must be approved by OPAL prior to the commencement of the Lease and shall be increased at least every two years. If OPAL determines that the replacement value to be insured should be increased at a different interval, OPAL shall inform the Homeowner of such required increase at least 30 days prior to the next date on which the insurance policy is to



OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

be renewed, and the Homeowner shall assure that the renewal includes such change. If Homeowner wishes to decrease the amount of replacement value to be insured, Homeowner shall inform OPAL of the proposed change at least 30 days prior to the time such change would take effect. The change shall not take effect without OPAL's approval.

Should the Home lie in a flood hazard zone as defined by the National Flood Insurance Plan, the Homeowner shall keep in full force and effect flood insurance in the maximum amount available.

The Homeowner shall also, at its sole expense, maintain in full force and effect public liability insurance using ISO Form HO 00 03 or its equivalent a minimum of \$300,000 per occurrence and in the aggregate. OPAL shall be named as an additional insured using ISO Form HO 04 41 or its equivalent, and certificates of insurance shall be delivered to OPAL prior to the commencement of the Lease and at each anniversary date thereof.

The dollar amounts of such coverage may be increased from time to time at OPAL's request but not more often than once in any one-year period. OPAL shall inform the Homeowner of such required increase in coverage at least 30 days prior to the next date on which the insurance policy is to be renewed, and the Homeowner shall assure that the renewal includes such change. The amount of such increase in coverage shall be based on current trends in Homeowner's liability insurance coverage in the area in which the Home is located.

9.5 WHAT HAPPENS IF HOME IS DAMAGED OR DESTROYED: Except as provided below, in the event of fire or other damage to the Home, Homeowner shall take all steps necessary to assure the repair of such damage and the restoration of the Home to its condition immediately prior to the damage. All such repairs and restoration shall be completed as promptly as possible. Homeowner shall also promptly take all steps necessary to assure that the Leased Land is safe and that the damaged Home does not constitute a danger to persons or property.

If Homeowner, based 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

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

the full cost of necessary repairs and that Homeowner cannot otherwise afford to cover the balance of the cost of repairs, then Homeowner shall notify OPAL of this problem, and OPAL may then help to resolve the problem. Methods used to resolve the problem may include efforts to increase the available insurance proceeds, efforts to reduce the cost of necessary repairs, efforts to arrange affordable financing covering the costs of repair not covered by insurance proceeds, and any other methods agreed upon by both Homeowner and OPAL.

If Homeowner and OPAL cannot agree on a way of restoring the Home in the absence of adequate insurance proceeds, then Homeowner may give OPAL written Notice of Intent to Terminate the Lease. The date of actual termination shall be no less than 60 days after the date of Homeowner's Notice of Intent to Terminate. Upon termination, any insurance proceeds payable to Homeowner for damage to the Home shall be paid as follows:

FIRST, to the expenses of their collection;

SECOND, to any Permitted Mortgagee(s), to the extent required by the Permitted Mortgage(s);

THIRD, to the expenses of enclosing or razing the remains of the Home and clearing debris;

FOURTH, to OPAL for any amounts owed under this Lease;

FIFTH, to the Homeowner, up to an amount equal to the Purchase Option Price, as of the day prior to the loss, less any amounts paid with respect to the second, third, and fourth clauses above;

SIXTH, the balance, if any, to OPAL.

9.6 WHAT HAPPENS IF SOME OR ALL OF THE LAND IS TAKEN FOR PUBLIC USE. If all of the Leased Land is taken by eminent domain or otherwise for public purposes, or if so much of the Leased Land is taken that the Home is lost or damaged beyond repair, the Lease shall terminate as of the date when Homeowner is required to give up possession of the Leased Land. Upon such termination, the entire amount of any award(s) paid shall be allocated in the way described in Section 9.5 above for insurance proceeds.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

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

In the event of a taking of a portion of the Leased Land that results in damage to the Home only to such an extent that the Home can reasonably be restored to a residential use consistent with this Lease, then the damage shall be treated as damage is treated in Section 9.5 above, and monetary compensation shall be allocated as insurance proceeds are to be allocated under Section 9.5.

9.7 IF PART OF THE LAND IS TAKEN, THE GROUND LEASE FEE MAY BE REDUCED.

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

9.8 IF LEASE IS TERMINATED BY DAMAGE, DESTRUCTION OR TAKING, OPAL WILL TRY TO HELP HOMEOWNER BUY ANOTHER OPAL HOME. If this Lease is terminated as a result of damage, destruction or taking, OPAL shall take reasonable steps to allow Homeowner to purchase another home on another parcel of leased land owned by OPAL if such home can reasonably be made available. If Homeowner purchases such a home, Homeowner agrees to apply any proceeds or award received by Homeowner to the purchase of the home. Homeowner understands that there are numerous reasons why it may not be possible to make such a home available, and shall have no claim against OPAL if such a home is not made available.

**ARTICLE 10: Transfer of the Home**

10.1 INTENT OF THIS ARTICLE IS TO PRESERVE AFFORDABILITY: Homeowner purchased the Home at a below market price and the Homeowner and OPAL agree that the provisions of this Article 10 are intended to preserve the affordability of the Home for lower income households and expand access to homeownership opportunities for such households.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

10.2 HOMEOWNER MAY TRANSFER HOME ONLY TO OPAL OR INCOME-QUALIFIED PERSONS: Homeowner may transfer the Home only to OPAL or an Income-Qualified Person as defined below or otherwise only as explicitly permitted by the provisions of this Article 10. All such transfers are to be completed only in strict compliance with this Article 10. Any purported transfer that does not follow 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 \_\_\_\_\_% 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.

10.3 THE HOME MAY BE TRANSFERRED TO CERTAIN HEIRS OF HOMEOWNER: If Homeowner dies (or if the last surviving co-owner of the Home dies), the executor or personal representative of Homeowner’s estate shall notify OPAL within 90 days of the date of death. Upon receiving such notice OPAL shall consent to a transfer of the Home and Homeowner’s rights to the Leased Land to one or more of the possible heirs of Homeowner listed below as (a), (b), or (c), provided that a Homeowner’s Letter of Agreement and a Letter of Attorney’s Acknowledgment (as described in Article 1 above) are submitted to OPAL to be attached to the Lease when it is transferred to the heirs.

- (a) the spouse of the Homeowner; or
- (b) the child or children of the Homeowner; or
- (c) member(s) of the Homeowner’s household who have resided in the Home for at least one year immediately prior to Homeowner’s death.

Any other heirs, legatees or devisees of Homeowner, in addition to submitting Homeowner’s Letters of Agreement and Letter of Attorney’s Acknowledgment as provided above, must demonstrate to OPAL’s satisfaction that they are Income-Qualified Persons as defined above. If they cannot demonstrate that they are Income-Qualified Persons, they shall not be entitled to

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

possession of the Home but must transfer the Home in accordance with the provisions of this Article 10.

10.4 HOMEOWNER MUST GIVE NOTICE OF INTENT TO SELL. In the event that Homeowner wishes to sell the Home, Homeowner shall notify OPAL, in writing, of such wish (the Intent-to-Sell Notice). This Notice shall include a statement as to whether Homeowner wishes to recommend a prospective buyer as of the date of the Notice.

10.5 OPAL HAS AN OPTION TO PURCHASE THE HOME. Upon receipt of an Intent-to-Sell Notice from Homeowner, OPAL shall have the option to purchase the Home at the Purchase Option Price calculated as set forth below. The Purchase Option is designed to further the purpose of preserving the affordability of the Home for succeeding Income-Qualified Persons while taking fair account of the investment by the Homeowner.

If OPAL elects to purchase the Home, OPAL shall exercise the Purchase Option by notifying Homeowner, in writing, of such election (the Notice of Exercise of Option) within 60 days of the receipt of the Intent-to-Sell Notice, or the Option shall expire. Having given such notice, OPAL may either proceed to purchase the Home directly or may assign the Purchase Option to an Income-Qualified Person.

The purchase (by OPAL or OPAL's assignee) must be completed within 90 days of OPAL's Notice of Exercise of Option, or Homeowner may sell the Home and Homeowner's rights to the Leased Land as provided in Section 10.7 below. The time permitted for the completion of the purchase may be extended by mutual agreement of OPAL and Homeowner.

Homeowner may recommend to OPAL a prospective buyer who is an Income-Qualified Person and otherwise eligible and is prepared to submit the Homeowner's Letters of Agreement and Attorney's Acknowledgment indicating informed acceptance of the terms of this Lease. OPAL shall make reasonable efforts to arrange for the assignment of the Purchase Option to such person unless OPAL determines that its charitable mission is better served by retaining the Home for another purpose or transferring the Home to another party.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

10.6 IF PURCHASE OPTION EXPIRES, HOMEOWNER MAY SELL ON CERTAIN TERMS:

If the Purchase Option has expired or if OPAL has failed to complete the purchase within the 90-day period allowed by Section 10.5 above, Homeowner may sell the Home to any Income-Qualified Person for not more than the then applicable Purchase Option Price. If Homeowner has made diligent efforts to sell the Home for at least 6 months after the expiration of OPAL's Purchase Option (or 6 months after the expiration of such 60-day purchase option period) and the Home is still not under contract, Homeowner may then sell the Home, for a price no greater than the then applicable Purchase Option Price, to any party regardless of whether that party is an Income-Qualified Person.

10.7 AFTER ONE YEAR OPAL SHALL HAVE POWER OF ATTORNEY TO CONDUCT

SALE: If OPAL does not exercise its option and complete the purchase of the Home as described above, and if Homeowner (a) is not then residing in the Home and (b) continues to hold the Home out for sale but is unable to locate a buyer and execute a binding purchase and sale agreement within one year of the date of the Intent to Sell Notice, Homeowner does hereby appoint OPAL its attorney in fact to seek a buyer, negotiate a reasonable price that furthers the purposes of this Lease, sell the Home, and pay to the Homeowner the proceeds of sale, minus OPAL's costs of sale and any other sums owed OPAL by Homeowner.

10.8 PURCHASE OPTION PRICE EQUALS THE LESSER OF THE FORMULA PRICE or A

PERCENTAGE OF THE APPRAISED FEE SIMPLE MARKET VALUE: In no event may the Home be sold for a price that exceeds the Purchase Option Price, and the Purchase Option Price is not a guarantee, but is a maximum price. The Purchase Option Price shall be the lesser of:

(a) the Formula Price calculated in accordance with Section 10.10 below, or

(b) 80% of the Appraised Fee Simple Market Value of the Home and Land, unless at the time of initial purchase the Base Price exceeds 80% of the Appraised Fee Simple Market Value.

At the time of initial purchase, the Homeowner and OPAL agree that the Homeowner's Base Price is \$ \_\_\_\_\_, and that the Appraised Fee Simple Market Value is

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

\$ \_\_\_\_\_ so the Homeowners Base Price equals \_\_\_\_\_% of the Appraised Fee Simple Market Value.

In the event the Base Price is more than 80% of the Appraised Fee Simple Market Value at the time of initial purchase, the Homeowners Purchase Option Price shall be the lesser of

- (a) the Formula Price or
- (b) \_\_\_\_\_ % of the Appraised Fee Simple Market Value.

In the event no appraisal was commissioned for the initial purchase, the Base Price will be presumed to be less than 80% of the Appraised Fee Simple Market Value.

If OPAL, at the time of resale, does not choose to commission an appraisal to determine the Appraised Fee Simple Market Value of Homeowner's Ownership Interest, then the Purchase Option Price shall be the Formula Price.

10.9 RESERVED

10.10 HOW THE FORMULA PRICE IS CALCULATED: The Formula Price shall be equal to:

- 1. the amount of the Homeowner's Base Price, plus
- 2. interest at a rate of 1.875% compounded annually, plus
- 3. Added Value, if any, which shall be calculated in accordance with OPALs' Added Value Policy. Added Value may include:

(a) the value of approved additional heated space added to the HOME in accordance with Section 7.3 calculated as:

- (1) the Homeowner's Base Price multiplied by 1.875%, compounded annually for the period of ownership,
- (2) divided by the original square footage,
- (3) multiplied by 50%, and
- (4) multiplied by the approved additional heated square footage, plus

(b) the value of certain structural improvements as derived by the method prescribed in OPAL's Added Value Policy, plus

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

(c) the approved value of certain non-square footage improvements identified in OPAL's Added Value Policy that shall be capped at 5% of the Formula Price (not including (a) or (b) above).

In no event shall the addition of Added Value result in a Formula Price that is unaffordable to Income-Qualified Purchasers.

10.11 QUALIFIED PURCHASER SHALL RECEIVE NEW LEASE: OPAL shall issue a new Lease to any person who purchases the Home in accordance with the terms of this Article 10. The terms of such Lease shall be the same as those of new Leases issued to Homebuyers at that time for land not previously leased by OPAL.

10.12 LEASE-CANCELLATION FEE. The Homeowner agrees to pay OPAL a lease- cancellation fee based on OPAL's costs of assisting with the cancellation or assignment of this Lease.

10.13 HOMEOWNER REQUIRED TO MAKE NECESSARY REPAIRS AT TRANSFER: The Homeowner is required to make necessary repairs when she voluntarily transfers the Home as follows:

(a) The person purchasing the Home ("Buyer") shall, prior to purchasing the Home, hire at her sole expense a building inspector with a current Home Inspector license to assess the condition of the Home and prepare a written report of the condition ("Inspection Report"). The Homeowner shall cooperate fully with the inspection.

(b) The Buyer shall provide a copy of the Inspection Report to Buyer's lender (if any), the Homeowner, and OPAL within 10 days after receiving the Inspection Report.

(c) Homeowner shall repair specific reported defects or conditions required by the Buyer's lender or as necessary to bring the Home into full compliance with Sections 4.2 and 7.5 above prior to transferring the Home.

(d) Homeowner shall bear the full cost of the necessary repairs and replacements. However, upon Homeowner's written request, OPAL may allow the Homeowner to pay all or a portion of the repair costs after transfer, from Homeowner's proceeds of sale, if Homeowner cannot afford to pay



OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

such costs prior to the transfer. In such event, either (i) 150% of the unpaid estimated cost of repairs or (ii) 100% of the unpaid cost of completed repairs shall be withheld from Homeowner's proceeds of sale in a OPAL-approved escrow account.

Also, upon Homeowner's written request, OPAL may, at its discretion, agree to release funds from the Exterior Home Repair and Replacement Reserve Fund to cover some or all of the cost of such repairs, provided that such use of the Reserve is in full compliance with Section 7.6 above.

(e) Homeowner shall allow OPAL, the Buyer, and the Buyer's building inspector and lender's representative to inspect the repairs prior to closing to determine that the repairs have been satisfactorily completed.

(f) Upon sale or other transfer, Homeowner shall either (i) transfer the Home with all originally installed appliances or replacements in the Home in good working order or (ii) reduce the Purchase Option Price by the market value of any such appliances that are not left with the Home in good working order.

**ARTICLE 11: RESERVED**

**ARTICLE 12: DEFAULT**

12.1 WHAT HAPPENS IF HOMEOWNER FAILS TO MAKE PAYMENTS TO OPAL THAT ARE REQUIRED BY THE LEASE: It shall be an event of default if Homeowner fails to pay the Fee or other charges required by the terms of this Lease and such failure is not cured by Homeowner or a Permitted Mortgagee within 30 days after notice of such failure is given by OPAL to Homeowner and Permitted Mortgagee. However, if Homeowner makes a good faith partial payment of at least 2/3 of the amount owed during the 30-day cure period, then the cure period shall be extended by an additional 30 days.

## OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

12.2 WHAT HAPPENS IF HOMEOWNER VIOLATES OTHER (NONMONETARY) TERMS OF THE LEASE: It shall be an event of default if Homeowner fails to abide by any other requirement or restriction stated in this Lease, and such failure is not cured by Homeowner or a Permitted Mortgagee within 60 days after notice of such failure is given by OPAL to Homeowner and Permitted Mortgagee. However, if Homeowner or Permitted Mortgagee, in OPAL's sole judgment, has made a good faith effort to cure such default within the 60-day cure period and is continuing such cure with due diligence but cannot complete the cure within the 60-day cure period, OPAL may extend the cure period for as much additional time as may be reasonably required to complete the cure.

12.3 MONETARY REMEDIES FOR NONMONTEARY LEASE VIOLATIONS: At OPAL's option, and subject to the provisions of Section 12.2 above, OPAL may issue a Finding of Violation, if Homeowner 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, setting at a sum reasonably designed to cover the cost of remedying the violation and/or to deter future violations. OPAL may add the amount of the monetary penalty to the Fee, as set forth in Section 5.1(c), to be paid either in a single monthly payment, or amortized over no more than one year, unless OPAL's board of trustees authorizes a longer period of time.

A finding by OPAL that the Homeowner has committed such violation, the amount of the monetary penalty, or the schedule of payment may be appealed by the Homeowner to the Board of Trustees of OPAL. The Board of Trustees of OPAL 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 shall have the right to declare the Homeowner in default under this Master Ground Lease and the Memorandum of Lease for substantial or repeated violations of the terms thereof.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

12.4 WHAT HAPPENS IF HOMEOWNER DEFAULTS AS A RESULT OF JUDICIAL PROCESS: It shall be an event of default if: (a) the estate hereby created is taken on execution or by other process of law, or (b) Homeowner is judicially declared bankrupt or insolvent according to law, or (c) any assignment is made of the Home for the benefit of creditors, or (d) a receiver, trustee in involuntary bankruptcy or other similar officer is appointed to take charge of any substantial part of the Home or Homeowner's interest in the Leased Land by a court of competent jurisdiction, or (e) a petition is filed for the reorganization of Homeowner under any provisions of the Bankruptcy Act now or hereafter enacted, or (f) Homeowner files a petition for such reorganization, or for arrangements under any provision of the Bankruptcy Act now or hereafter enacted that provides a plan for a debtor to settle, satisfy or extend the time for payment of debts.

12.5 A DEFAULT (UNCURED VIOLATION) GIVES OPAL THE RIGHT TO TERMINATE THE LEASE OR EXERCISE ITS PURCHASE OPTION:

(a) TERMINATION: In the case of any of the events of default described above, OPAL may terminate this lease and initiate summary proceedings under applicable law against Homeowner, and OPAL shall have all the rights and remedies consistent with such laws and resulting court orders to enter the Leased Land and Home and repossess the entire Leased Land and Home, and expel Homeowner and those claiming rights through Homeowner. In addition, OPAL shall have such additional rights and remedies to recover from Homeowner arrears of rent and damages from any preceding breach of any covenant of this Lease. If this Lease is terminated by OPAL pursuant to an event of default, then, as provided in Section 7.7 above, upon thus assuming title to the Home, OPAL shall pay to Homeowner and any Permitted Mortgagee an amount equal to the Purchase Option Price calculated in accordance with Section 10.8 above, as of the time of reversion of ownership, less the total amount of any unpaid Ground Lease Fee and any other amounts owed to OPAL under the terms of this Lease and all reasonable costs (including reasonable attorneys' fees) incurred by OPAL in pursuit of its remedies under this Lease.

## OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

If OPAL elects to terminate the Lease, then the Permitted Mortgagee shall have the right (subject to Article 8 above and the attached Exhibit D Permitted Mortgages) to postpone and extend the specified date for the termination of the Lease for a period sufficient to enable the Permitted Mortgagee or its designee to acquire Homeowner's interest in the Home and the Leased Land by foreclosure of its mortgage or otherwise.

(b) EXERCISE OF OPTION: In the case of any of the events of default described above, Homeowner hereby grants to OPAL (or its assignee) the option to purchase the Home for the Purchase Option Price as such price is defined in Article 10 above. Within 30 days after the expiration of any applicable cure period as established in Sections 12.1, 12.2 or 12.3 above or within 30 days after any of the events constituting an Event of Default under Section 12.4 above, OPAL shall notify the Homeowner and the Permitted Mortgagee(s) of its decision to exercise its option to purchase under this Section 12.5 (b). Not later than 90 days after OPAL gives notice to the Homeowner of OPAL's intent to exercise its option under this Section 12.5 (a), OPAL or its assignee shall purchase the Home for the Purchase Option Price.

12.6 WHAT HAPPENS IF OPAL DEFAULTS: OPAL shall in no event be in default in the performance of any of its obligations under the Lease unless and until OPAL has failed to perform such obligations within 60 days, or such additional time as is reasonably required to correct any default, after notice by Homeowner to OPAL properly specifying OPAL's failure to perform any such obligation.

### **ARTICLE 13: Mediation and Arbitration**

13.1 MEDIATION AND ARBITRATION ARE PERMITTED: Nothing in this Lease shall be construed as preventing the parties from utilizing any process of mediation or arbitration in which the parties agree to engage for the purpose of resolving a dispute.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

13.2 HOMEOWNER AND OPAL SHALL SHARE IN THE COST OF ANY MEDIATION OR ARBITRATION: Homeowner and OPAL shall each pay one-half (50%) of any costs incurred in carrying out mediation or arbitration in which the parties have agreed to engage.

**ARTICLE 14: GENERAL PROVISIONS**

14.1 HOMEOWNER'S MEMBERSHIP IN OPAL: The Homeowner under this Lease shall automatically be a regular voting member of OPAL.

14.2 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: OPAL Community Land Trust, PO Box 1133, Eastsound, WA 98245.

If to Homeowner: \_\_\_\_\_ (name of Homeowner).

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.

14.3 NO BROKERAGE: Homeowner warrants that Homeowner has not dealt with any real estate broker other than \_\_\_\_\_ in connection with the purchase of the Home. If any claim is made against OPAL regarding dealings with brokers other than \_\_\_\_\_, Homeowner shall defend OPAL against such claim with counsel of OPAL's selection and Homeowner shall reimburse OPAL for any loss, cost or damage that may result from such claim.

14.4 SEVERABILITY AND DURATION OF LEASE: If any part of this Lease is unenforceable or invalid, such material shall be read out of this Lease and shall not affect the validity of any other part of this Lease or give rise to any cause of action of Homeowner or OPAL against the other, and the remainder of this Lease shall be valid and enforced to the fullest extent permitted by law. It is the intention of the parties that OPAL's Option to Purchase and all other rights of both parties under this Lease shall continue in effect for the full term of this Lease and any renewal thereof, and

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

shall be considered to be coupled with an interest. In the event that any such option or right shall be construed to be subject to any rule of law limiting the duration of such option or right, the time period for the exercising of such option or right shall be construed to expire 20 years after the death of the last survivor of the following persons: \_\_\_\_\_ (here intentionally left blank, and in the Memorandum of Lease would include an identifiable group, e.g. children living as of the date of this Lease or any of the directors or employees of a specified corporation.)

14.5 RIGHT OF FIRST REFUSAL IN LIEU OF OPTION: If the provisions of the purchase option set forth in Article 10 of this Lease shall, for any reason, become unenforceable, OPAL shall nevertheless have a right of first refusal to purchase the Home at the highest documented bona fide purchase price offer made to Homeowner. Such right shall be as specified in Exhibit FIRST REFUSAL. Any sale or transfer contrary to this section, when applicable, shall be null and void.

14.6 WAIVER: The waiver by OPAL at any time of any requirement or restriction in this Lease, or the failure of OPAL to take action with respect to any breach of any such requirement or restriction, shall not be deemed to be a waiver of such requirement or restriction with regard to any subsequent breach of such requirement or restriction, or of any other requirement or restriction in the Lease. OPAL may grant waivers in the terms of this Lease, but such waivers must be in writing and signed by OPAL before being effective.

The subsequent acceptance of Ground Lease Fee payments by OPAL shall not be deemed to be a waiver of any preceding breach by Homeowner of any requirement or restriction in this Lease, other than the failure of the Homeowner to pay the particular Lease Fee so accepted, regardless of OPAL's knowledge of such preceding breach at the time of acceptance of such Ground Lease Fee payment.

14.7 OPAL'S RIGHT TO PROSECUTE OR DEFEND: OPAL shall have the right, but shall have no obligation, to prosecute or defend, in its own or the Homeowner's name, any actions or proceedings appropriate to the protection of its own or Homeowner's interest in the Leased Land.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

Whenever requested by OPAL, Homeowner shall give OPAL all reasonable aid in any such action or proceeding.

14.8 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.

14.9 HEADINGS AND TABLE OF CONTENTS: The headings, subheadings and table of contents appearing 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 or conditions of this Lease.

14.10 PARTIES BOUND: This Lease sets forth the entire agreement between OPAL and Homeowner with respect to the leasing of the Land; it is binding upon and inures to the benefit of these parties and, in accordance with the provisions of this Lease, their respective successors in interest. This Lease may be altered or amended only by written notice executed by OPAL and Homeowner or their legal representatives or, in accordance with the provisions of this Lease, their successors in interest.

14.11 GOVERNING LAW: This Lease shall be interpreted in accordance with and governed by the laws of the State of Washington. The language in all parts of this Lease shall be, in all cases, construed according to its fair meaning and not strictly for or against OPAL or Homeowner.

14.12 RECORDING: The parties agree, as an alternative to the recording of this Lease, to execute a so-called Notice of Lease or Short Form Lease in form recordable and complying with applicable law and reasonably satisfactory to OPAL's attorneys. In no event shall such document state the rent or other charges payable by Homeowner under this Lease; and any such document shall expressly state that it is executed pursuant to the provisions contained in this Lease, and is not intended to vary the terms and conditions of this Lease.

IN WITNESS WHEREOF, the parties have executed this Lease at \_\_\_\_\_ on the day and year first above written.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

OPAL Community Land Trust:

\_\_\_\_\_  
(OPAL's duly authorized agent)

Homeowner:

\_\_\_\_\_  
(Homeowner)

\_\_\_\_\_  
(Homeowner)

*[notarize signatures]*



**Exhibit A**

**HOMEOWNER'S LETTER OF AGREEMENT AND  
ATTORNEY'S LETTER OF ACKNOWLEDGMENT**

**Homeowner's Letter of Agreement**

Date: \_\_\_\_\_

This letter is given to OPAL Community Land Trust (OPAL) to become an exhibit to a Lease between OPAL and me. I will be leasing a parcel of land from OPAL and will be buying the home that sits on that parcel of land. I will therefore become what is described in the Lease as a "the Homeowner."

My legal counsel, \_\_\_\_\_, has explained to me the terms and conditions of the Lease and other legal documents that are part of this transaction. I understand the way these terms and conditions will affect my rights as a OPAL homeowner, now and in the future.

In particular I understand and agree with the following points.

One of the goals of OPAL is to keep OPAL homes affordable for lower income households from one OPAL homeowner to the next. I support this goal as a OPAL homeowner and as a member of OPAL.

The terms and conditions of my Lease will keep my home affordable for future "income-qualified persons" (as defined in the Lease). If and when I want to sell my home, the lease requires that I sell it either to OPAL or to another income-qualified person. The terms and conditions of the lease also limit the price for which I can sell the home, in order to keep it affordable for such income-qualified persons.

It is also a goal of OPAL to promote resident ownership of OPAL homes. For this reason, my Lease requires that, if I and my family move out of our home permanently, we must sell it. We cannot continue to own it as absentee owners.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

I understand that I can leave my home to my child or children or other members of my household and that, after my death, they can own the home for as long as they want to live in it and abide by the terms of the Lease, or they can sell it on the terms permitted by the Lease.

As a OPAL homeowner and a member of OPAL, it is my desire to see the terms of the Lease and related documents honored. I consider these terms fair to me and to others.

Sincerely

**Letter of Attorney's Acknowledgment**

Date \_\_\_\_\_

I, \_\_\_\_\_, have been independently employed by \_\_\_\_\_ (hereinafter "the Client") who intends to purchase a house and other improvements (the "Home") on land to be leased from Community Land Trust. The house and land are located at \_\_\_\_\_.

In connection with the contemplated purchase of the Home and the leasing of the land, I reviewed with the Client the following documents:

- a) this Letter of Attorney's Acknowledgment and a Letter of Agreement from the Client;
- b) a proposed Deed conveying the Home to the Client;
- c) a proposed Ground Lease conveying the "Leased Land" to the Client;
- d) other written materials provided by OPAL.

The Client has received full and complete information and advice regarding this conveyance and the foregoing documents. In my review of these documents my purpose has been to reasonably inform the Client of the present and foreseeable risks and legal consequences of the contemplated transaction.

The Client is entering the aforesaid transaction in reliance on her own judgment and upon her investigation of the facts. The advice and information provided by me was an integral element of

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

such investigation.

Name:

Title:

Firm/Address:

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

**Exhibit B**  
**THE LEASED LAND**

**Exhibit C**

**DEED TO IMPROVEMENTS ONLY**

**Between**

OPAL Community Land Trust (Grantor), a not-for-profit corporation having its principal offices at 286 Enchanted Forest Road, PO Box 1133, Eastsound, WA, 98245, and \_\_\_\_\_ (Grantees), residing at \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

**Witnesseth**

That Grantor, in consideration of one dollar and other good and valuable consideration paid by Grantees, does hereby grant and release unto Grantees, their heirs, or successors and assigns forever,

THE BUILDINGS AND OTHER IMPROVEMENTS ONLY, as presently erected on the Land described in Schedule "A" attached hereto and made a part hereof.

It is the intention of the parties that the real property underlying the buildings and other improvements conveyed herein remain vested in Grantor and that this warranty deed convey only such buildings and other improvements as are presently erected upon the subject Land.

In witness whereof, as authorized agent of Grantor, I hereunto set my hand this \_\_\_\_ day of \_\_\_\_\_, A.D. 20\_\_.

\_\_\_\_\_  
signature

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

[notarize signature]

**Exhibit D**

**PERMITTED MORTGAGES**

The rights and provisions set forth in this Exhibit shall be understood to be provisions of Section 8.2 of the Lease. All terminology used in this Exhibit shall have the meaning assigned to it in the Lease.

**A. OBLIGATIONS OF PERMITTED MORTGAGEE.** Any Permitted Mortgagee shall be bound by each of the following requirements unless the particular requirement is removed, contradicted or modified by a rider to this Lease signed by the Homeowner and OPAL to modify the terms of the Lease during the term of the Permitted Mortgage.

1. If Permitted Mortgagee sends a notice of default to the Homeowner because the Homeowner has failed to comply with the terms of the Permitted Mortgage, the Permitted Mortgagee shall, at the same time, send a copy of that notice to OPAL. Upon receiving a copy of the notice of default and within that period of time in which the Homeowner has a right to cure such default (the “cure period”), OPAL shall have the right to cure the default on the Homeowner’s behalf, provided that all current payments due the Permitted Mortgagee since the notice of default was given are made to the Permitted Mortgagee.

2. If, after the cure period has expired, the Permitted Mortgagee intends to accelerate the note secured by the Permitted Mortgage or begin foreclosure proceedings under the Permitted Mortgage, the Permitted Mortgagee shall first notify OPAL of its intention to do so, and OPAL shall then have the right, upon notifying the Permitted Mortgagee within thirty (30) days of receipt of such notice, to acquire the Permitted Mortgage by paying off the debt secured by the Permitted Mortgage.

3. If the Permitted Mortgagee acquires title to the Home through foreclosure or acceptance of a deed in lieu of foreclosure, the Permitted Mortgagee shall give OPAL written notice of such acquisition and OPAL shall then have an option to purchase the Home from the Permitted

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

Mortgagee for the full amount owing to the Permitted Mortgagee under the Permitted Mortgage. To exercise this option to purchase, OPAL must give written notice to the Permitted Mortgagee of OPAL's intent to purchase the Home within thirty (30) days following OPAL's receipt of the Permitted Mortgagee's notice. OPAL must then complete the purchase of the Home within sixty (60) days of having given written notice of its intent to purchase. If OPAL does not complete the purchase within this 60-day period, the Permitted Mortgagee shall be free to sell the Home to another person.

4. Nothing in the Permitted Mortgage or related documents shall be construed as giving Permitted Mortgagee a claim on OPAL's interest in the Leased Land, or as assigning any form of liability to OPAL with regard to the Leased Land, the Home, or the Permitted Mortgage.

5. Nothing in the Permitted Mortgage or related documents shall be construed as rendering OPAL or any subsequent Mortgagee of OPAL's interest in this Lease, or their respective heirs, executors, successors or assigns, personally liable for the payment of the debt secured by the Permitted Mortgage or any part thereof.

6. The Permitted Mortgagee shall not look to OPAL or OPAL's interest in the Leased Land, but will look solely to Homeowner, Homeowner's interest in the Leased Land, and the Home for the payment of the debt secured thereby or any part thereof. (It is the intention of the parties hereto that OPAL's consent to such Permitted Mortgage shall be without any liability on the part of OPAL for any deficiency judgment.)

7. 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 Permitted Mortgagee in accordance with the provisions of ARTICLE 9 hereof.

8. OPAL shall not be obligated to execute an assignment of the Lease Fee or other rent payable by Homeowner under the terms of this Lease.



**B. RIGHTS OF PERMITTED MORTGAGEE.** The rights of a Permitted Mortgagee as referenced under Section 8.6 of the Lease to which this Exhibit is attached shall be as set forth below:

1. Any Permitted Mortgagee shall, without further consent by OPAL, have the right to (a) cure any default under this Lease, and perform any obligation required under this Lease, such cure or performance being effective as if it had been performed by Homeowner; (b) acquire and convey, assign, transfer and exercise any right, remedy or privilege granted to Homeowner by this Lease or otherwise by law, subject to the provisions, if any, in the Permitted Mortgage, which may limit any exercise of any such right, remedy or privilege; and (c) rely upon and enforce any provisions of the Lease to the extent that such provisions are for the benefit of a Permitted Mortgagee.
2. A Permitted Mortgagee shall not be required, as a condition to the exercise of its rights under the Lease, to assume personal liability for the payment and performance of the obligations of the Homeowner under the Lease. Any such payment or performance or other act by Permitted Mortgagee under the Lease 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 Home and Leased Land. In the event Permitted Mortgagee does take possession of the Home and Leased Land and thereupon transfers such property, 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 under the Lease.
3. In the event that title to the estates of both OPAL and Homeowner are 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.
4. If the Lease is terminated for any reason, or in the event of the rejection or disaffirmance of the Lease pursuant to bankruptcy law or other law affecting creditors' rights, OPAL shall enter into a new lease for the Leased Land with the Permitted Mortgagee (or with any party designated by the

## OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

Permitted Mortgagee, subject to OPAL'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 disaffirmance, and upon all the terms and provisions contained in the Lease. However, the Permitted Mortgagee shall make a written request to OPAL for such new lease within sixty (60) days after the effective date of such termination, rejection or disaffirmance, 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 Homeowner thereunder. Any new lease made pursuant to this Section shall have the same priority with respect to other interests in the Land as the Lease. The provisions of this Section shall survive the termination, rejection or disaffirmance 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, Homeowner and the Permitted Mortgagee.

5. OPAL 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.

6. In the event that OPAL sends a notice of default under the Lease to Homeowner, OPAL shall also send a notice of Homeowner's default to Permitted Mortgagee. Such notice shall be given in the manner set forth in Section 14.2 of the Lease to the Permitted Mortgagee at the address which has been given by the Permitted Mortgagee to OPAL by a written notice to OPAL sent in the manner set forth in said Section 14.2 of the Lease.

7. In the event of foreclosure sale by a Permitted Mortgagee or the delivery of a deed to a Permitted Mortgagee in lieu of foreclosure in accordance with the provisions of the Lease, at the election of the Permitted Mortgagee the provisions of Article 10, Sections 10.1 through 10.11 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.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

8. Before becoming effective, any amendments to this Lease must be approved in writing by Permitted Mortgagee, which approval shall not be unreasonably withheld. If Permitted Mortgagee has neither approved nor rejected a proposed amendment within 60 days of its submission to Permitted Mortgagee, then the proposed amendment shall be deemed to be approved.

**C. STANDARD PERMITTED MORTGAGE AGREEMENT.** A Standard Permitted Mortgage Agreement, as identified in Section 8.4 of this Lease, shall be written as follows, and shall be signed by Mortgagee and Homeowner.

*This Agreement is made by and among:*

\_\_\_\_\_ (Mortgagee) and  
\_\_\_\_\_ (“Homeowner”),

**Whereas:**

- a) \_\_\_\_\_ OPAL (the “OPAL”) and Homeowner have entered, or are entering, into a ground lease (“the Lease”), conveying to Homeowner a leasehold interest in the Land located at \_\_\_\_\_ (“the Leased Land”); and Homeowner has purchased, or is purchasing, the Home located on the Leased Land (“the Home”).
  - b) The Mortgagee has been asked to provide certain financing to the Homeowner, and is being granted concurrently herewith a mortgage and security interest (the “Mortgage”) in the Leased Land and Home, all as more particularly set forth in the Mortgage, attached hereto as Schedule A.
  - c) The Ground Lease states that the Homeowner may mortgage the Leased Land only with the written consent of OPAL. The Ground Lease further provides that OPAL is required to give such consent only if the Mortgagee signs this Standard Permitted Mortgage Agreement and thereby agrees to certain conditions that are stipulated herein (“the Stipulated Conditions”).
- Now, therefore,** the Homeowner/Mortgagor and the Mortgagee hereby agree that the terms

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

*and conditions of the Mortgage shall include the Stipulated Conditions stated below.*

***Stipulated Conditions:***

*1) If Mortgagee sends a notice of default to the Homeowner because the Homeowner has failed to comply with the terms of the Mortgage, the Mortgagee shall, at the same time, send a copy of that notice to OPAL. Upon receiving a copy of the notice of default and within that period of time in which the Homeowner has a right to cure such default (the "cure period"), OPAL shall have the right to cure the default on the Homeowner's behalf, provided that all current payments due the Permitted Mortgagee since the notice of default was given are made to the Mortgagee.*

*2) If, after such cure period, the Mortgagee intends to accelerate the note secured by the Mortgage or initiate foreclosure proceedings under the Mortgage, in accordance with the provisions of the Lease, the Mortgagee shall first notify OPAL of its intention to do so and OPAL shall have the right, but not the obligation, upon notifying the Mortgagee within thirty (30) days of receipt of said notice, to purchase the Mortgagee loans and to take assignment of the Mortgage.*

*3) If the Mortgagee acquires title to the Home and Homeowner's interest in the Leased Land through foreclosure or acceptance of a deed in lieu of foreclosure, the Mortgagee shall give OPAL written notice of such acquisition and OPAL shall have an option to purchase the Home and Homeowner's interest in the Leased Land from the Mortgagee for the full amount owing to the Mortgagee; provided, however, that OPAL notifies the Mortgagee in writing of OPAL's intent to make such purchase within thirty (30) days following OPAL's receipt of the Mortgagee's notice of such acquisition of the Home and Homeowner's interest in the Leased Land; further provided that OPAL shall complete such purchase within sixty (60) days of having given written notice of its intent to purchase; and provided that, if OPAL does not complete the purchase within such period, the Mortgagee shall be free to sell the Home and Homeowner's interest in the Leased Land to another person;*

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

4) *Nothing in the Mortgage or related documents shall be construed as giving the Mortgagee a claim on OPAL's interest in the Leased Land, or as assigning any form of liability to OPAL with regard to the Leased Land, the Home, or the Mortgage.*

5) *Nothing in the Mortgage shall be construed as rendering OPAL or any subsequent holder of OPAL's interest in and to the 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.*

6) *The Mortgagee shall not look to OPAL or OPAL's interest in the Leased Land, but will look solely to Homeowner and Homeowner's interest in the Leased Land and the Home for the payment of the debt secured by the Mortgage. (It is the intention of the parties hereto that OPAL's consent to the Mortgage shall be without any liability on the part of OPAL for any deficiency judgment.)*

7) *In the event that any part of the Leased Land is taken in condemnation or by right of eminent domain, the proceeds of the award shall be paid over to the Mortgagee in accordance with the provisions of Article 9 of the Lease.*

8) *Nothing in the Mortgage shall obligate OPAL to execute an assignment of the Lease Fee or other rent payable by Homeowner under the terms of this Lease.*

By:

\_\_\_\_\_ for Mortgagee      Date: \_\_\_\_\_

\_\_\_\_\_ for Homeowner/Mortgagor      Date: \_\_\_\_\_

**Exhibit E**  
**FIRST REFUSAL**

Whenever any party under the Lease shall have a right of first refusal as to certain property, the following procedures shall apply. If the owner of the property offering it for sale (“Offering Party”) shall within the term of the Lease receive a bona fide third party offer to purchase 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 of such offer (“the Notice of Offer”) to Holder setting forth (a) the name and address of the prospective purchaser of the property, (b) the purchase price offered by the prospective purchaser and (c) all other terms and conditions of the sale. Holder shall have a period of forty-five (45) days after the receipt of the Notice of Offer (“the Election Period”) within which to exercise the right of first refusal by giving notice of intent to purchase the property (“the Notice of Intent to Purchase”) for the same price and on the same terms and conditions set forth in the Notice of Offer. Such Notice of Intent to Purchase shall be given in writing to the Offering Party within the Election Period.

b) If Holder exercises the right to purchase the property, such purchase shall be completed within sixty (60) days after the Notice of Intent to Purchase is given by Holder (or if the Notice of Offer shall specify a later date for closing, such date) by performance of the terms and conditions of the Notice of Offer, including payment of the purchase price provided therein.

c) Should Holder fail to exercise the right of first refusal within the Election Period, then the Offering Party shall have the right (subject to any other applicable restrictions in the 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-year period, the Offering Party's right so to sell shall end, and all of

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

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-year period, the purchaser shall purchase subject to the Holder having a renewed right of first refusal in said property.

OPAL COMMUNITY LAND TRUST- MASTER GROUND LEASE 2016

**Exhibit F**

**CONDITIONS, COVENANTS AND RESTRICTIONS**