Summary of Land Lease Negotiations and Status Update
(Master Lease PSL-145 – Casa Sonora)
(3-22-2025)

The Casa Sonora Homeowners Association (the "HOA") began land lease negotiation efforts approximately 16 years ago, through its attorneys, Schlecht, Shevlin & Shoenberger, ALC. The HOA initially made efforts in early 2009 to determine whether the landowner, Ms. McGlamary, had any interest in selling her land to the HOA (and its homeowners). Ms. McGlamary, through her attorneys, indicated that she had no interest in selling her land (which position against selling her land was reconfirmed by her attorneys several times over the years). The HOA then changed its efforts to focus on a potential extension of the Casa Sonora land leases. For several years, from 2009 until approximately 2014, Ms. McGlamary indicated little to no interest in the extension of the Casa Sonora land leases.

In early 2014, Ms. McGlamary began consulting a new attorney, and indicated a willingness to consider the extension of the Casa Sonora land leases; However, that attorney and her interest were somewhat fleeting, and Ms. McGlamary returned to her prior attorney and similar position of not having much interest in the extension of the Casa Sonora land leases through 2016.

In 2017, the HOA decided to make an updated extension offer to Ms. McGlamary to see if we could generate some renewed interest from McGlamary as to an extension, but once again she indicated, through her attorneys, that she had no interest in an extension at that time and that they would let us know if she changes her mind.

In 2020, the HOA again made efforts to reach out to Ms. McGlamary to see if she might now be open to an extension, and again she indicated through her attorneys that she was not interested; However, later in 2020, she finally indicated a desire to work on an extension, and her attorney requested an appraisal through the Bureau of Indian Affairs ("BIA") in late 2020. The BIA appraisal was supposed to have been completed in early 2021, but was delayed and by late 2021 Ms. McGlamary retained a new attorney. The BIA appraisal was finally completed in 2022, and in early 2023 Ms. McGlamary's attorney indicated that Ms. McGlamary had been dealing with health issues, but that he planned to present an extension proposal by March 2023. Unfortunately, Ms. McGlamary passed away in February 2023, and no extension proposal was made, and her estate would have to go through the Indian Probate process before an extension could be completed with Ms. McGlamary's heirs.

The HOA, through its attorneys, continued to follow up with the BIA regarding the probate, the potential heirs and their interest in a potential lease extension, and in 2024 the probate process was completed and Ms. McGlamary's land was distributed to two of her daughters, who indicated, through the BIA, a willingness to put together an extension and/or new lease offer to the Casa Sonora homeowners.

Last month, the landowners, through the BIA, shared a copy of the BIA appraisal and presented terms for two extension options that they are planning to finalize and present to the homeowners in the coming months. At this time, we do not know exactly when the landowners and BIA will finalize their lease extension proposal and documents related thereto, but we are hoping they may do so over the next couple months. As soon as the BIA approves the final form of the lease extension proposal and documents, you should each receive a lease extension offer directly from the landowners, through the BIA, hopefully over the next three to six months.

Aug. 4, 2036
34 year - 2070

The two extension options/terms that the BIA/landowners have presented to the HOA are as follows ***[PLEASE NOTE: THESE OPTIONS AND THE TERMS OUTLINED HEREIN REMAIN SUBJECT TO CHANGE BY THE BIA/LANDOWNERS UNTIL SUCH TIME AS THE BIA/LANDOWNERS/HOMEOWNERS HAVE FORMALLY AGREED IN WRITING TO AN EXTENSION AND/OR NEW LEASE]***:

Option 1: Landowners offer the homeowners 34-year extension of their existing lease

- Term Extension. The term of the mini-master lease will be extended by 34 years to August 1, 2070.
- Extension Fee. A one-time lease extension fee of $10,000 per mini-master lease for homeowners who sign up and pay for the extension from the time it is offered through December 31, 2025. The extension fee increases to $12,500 for those that sign up and pay from 1/1/2026 through 6/30/2026, $15,000 for those that sign up and pay from 6/30/2026 through 12/31/2026, $17,500 for those that sign up and pay from 1/1/2027 through 6/30/2027, and TBD by the landowners for those that want an extension thereafter.
- Rent. Homeowner Rent will increase to $5,333.33 per year ($444.44 per month), which is the fair market rental rate shown in the BIA Appraisal. The Rent will then increase based on the increase in CPI every 3 years thereafter, not to exceed 15% for each 3-year rent adjustment. And Rents shall never decrease...meaning even if for some reason CPI decreases over a 3-year period, the Rent would simply stay the same, rather than decrease.
- Transfer (Assignment) Fee. A Transfer Fee of 2% of Gross Sales Price when a homeowner sells/assigns his/her leasehold condo.
- Encumbrance Fee. Encumbrance Fee of 1% for Refinance (no encumbrance fee due for purchase money mortgage where a transfer fee is being paid on the sale of the leasehold...this 1% encumbrance fee would only apply to refinancing of existing leasehold mortgages).

Option 2: Landowners offer the homeowners a new 65-year lease to replace their existing lease

- Term of New Lease. The term of the new mini-master lease will be 65 years to approximately August 1, 2090.
- New Lease Fee. A one-time new lease fee of $20,000 per mini-master lease for homeowners who sign up and pay for the new lease from the time it is offered through December 31, 2025. The new lease fee increases to $22,500 for those that sign up and pay from 1/1/2026 through 6/30/2026, $25,000 for those that sign up and pay from 6/30/2026 through 12/31/2026, $27,500 for those that sign up and pay from 1/1/2027 through 6/30/2027, and TBD by the landowners for those that want a new lease thereafter.
- Rent. Homeowner Rent will increase to $5,333.33 per year ($444.44 per month) (same rent terms as under Option 1, above).
- Transfer (Assignment) Fee. A Transfer Fee of 2% of Gross Sales Price when a homeowner sells his/her leasehold condo (same transfer fee terms as under Option 1, above).
- Encumbrance Fee. Encumbrance Fee of 1% for Refinance (same encumbrance fee terms as under Option 1, above).

[AGAIN, PLEASE NOTE, THESE OPTIONS AND THE TERMS OUTLINED HEREIN REMAIN SUBJECT TO CHANGE BY THE BIA/LANDOWNERS UNTIL SUCH TIME AS THE BIA/LANDOWNERS/HOMEOWNERS HAVE FORMALLY AGREED IN WRITING TO AN EXTENSION AND/OR NEW LEASE]

The 60 Casa Sonora mini-master leases are presently set to expire on or about August 1, 2036. As most of you know, the local practice and reality is that, unless the remaining term of a lease is at least 35 years, most banks will not lend with such a short leasehold interest as security. With approximately 11 years remaining on the Casa Sonora leases, this means that homeowners cannot refinance and may have a difficult time selling their properties, thereby diminishing their value. This makes it difficult for homeowners to maintain and/or improve their properties, and it prevents assignments to new owners, even when otherwise advantageous to the homeowners. In addition, the shortened productive lease term, along with uncertainty regarding whether the lease may ever be extended, leads many potential home buyers to avoid purchasing these leases altogether, which further depresses the value of property.

The HOA believes that a lease extension option along the lines described herein would help address these issues and greatly benefit both the Casa Sonora homeowners and the landowners. It should potentially increase, or at least preserve, the value of the Casa Sonora homes and allow homeowners a better opportunity to sell and/or refinance their homes, which should give them (and/or a new purchaser) the incentive to maintain and/or improve/remodel their homes.

As noted above, any ultimate lease extension offer will come from the landowners, through the BIA, directly to each of the Casa Sonora homeowners, but the HOA will continue to follow up with the BIA and the landowners, and will continue to provide updates as to the potential extension of the Casa Sonora leases.