

## MORTGAGE OF LEASEHOLD INTEREST

This mortgage made on the 2<sup>nd</sup> day of July, 1990 between ANGELA LAUER and TIMOTHY G. LAUER, individuals in their separate capacity, of 465 N.E. 181 #105, Portland, Oregon 97230, herein referred to as Mortgagors and CAROL L. CLUNAS, of 21408 S.E. Main, Gresham, Oregon 97030, herein referred to as Mortgagee.

WHEREAS Mortgagor is the Assignee under a certain Assignment Of Lease dated 2 of July, 1990, under which there was assigned to Mortgagor all of the right, title and interest of Mortgagee in the premises hereinafter mentioned and described, together with the appurtenances and improvements existing thereon; to have and to hold the same unto Mortgagor, as Lessee and to their executors, administrators and assigns.

WHEREAS Mortgagor is justly indebted to Mortgagee in the sum of Thirty Four Thousand Five Hundred Dollars (\$34,500) in lawful money of the United States of America evidenced by a Promissory Note dated the 2<sup>nd</sup> day of July, 1990, conditioned on the payment of such as provided for in said note, with interest computed at the rate of Twelve Percent (12%) per annum as provided therein, and any further advances given Mortgagor by Mortgagee for the purposes of improvements to the real property described herein.

It is expressly agreed that the whole of such principal sum shall become due at the option of the Mortgagee after default of the payment of any installment of interest or principal, or any taxes, assessments, or rent, as hereafter provided.

It is further agreed that Mortgagor, as additional security for the payment of said sum of money mentioned in the note, a copy of which is attached hereto as Exhibit "A", and the interest thereon, and also for and in consideration for the sum of good and valuable consideration paid by Mortgagee, the receipt of which is hereby acknowledged, does hereby grant, release and assign forever, all of the Mortgagor's right, title and interest to the following described real property:

Cabin and improvements treated as personal property located on leased property, cabin site #126 of the Northwoods, being part of government Lots #4 and #8, Section 26, Township 7 North, Range 6 East, W.M., Skamania County, Washington. Oct 12 3 45 PM '90  
SUBJECT, however to an easement for right of way for access road acquired by the United States of America, United States Forest Service. GARY R. OLSON

Glenda J. Kimmel, Skamania County Auditor  
BY: Glenda J. Kimmel Parcel # 96-000126

Registered 2  
Indexed 2  
Filed 10-19-90  
Dated

Together with the appurtenances existing thereon at the time of the execution of this mortgage and all future improvements and appurtenances constructed thereon during the life of this mortgage, and all the estate and right of Mortgagor in and to the premises under the above mentioned lease.

Mortgagee is to have and to hold the lease and renewals in the estate of the Lessee thereunder for and during the remainder of the unexpired terms thereunder, and any renewals thereof; subject, however, to Mortgagor performing the covenants, conditions and provisions in said lease, and for the payment of all rents called for thereunder.

Mortgagor in addition to abiding to all the terms and conditions of this mortgage further agrees to be bound by each and every covenant, term and condition contained in the Cabin Site Lease and assigned by Mortgagee to Mortgagor.

Provided, that if Mortgagor shall pay to Mortgagee the sum of money mentioned in the note, a copy of which is attached hereto as Exhibit "A" and the interest thereon, and any and all conditions as contained in that Sale Agreement between the herein mentioned parties and a copy of which is hereto attached as Exhibit "B", then these present and the estate hereby granted shall cease, and be void.

Mortgagor hereby covenants with Mortgagee as follows:

1. Mortgagor will pay the indebtedness as provided in such note and Sale Agreement and if default shall be made in the payment of any part thereof or any of the covenants and conditions contained in said Sale Agreement, Mortgagee shall have the power to sell the leasehold interest herein above described according to law.
2. Mortgagor will keep the building on the lease premises insured against loss of fire, for the benefit of the Mortgagee and any other parties as their respective interests may lie in a sum sufficient to cover the outstanding balance of the note, and shall provide the Mortgagee with a Certificate Of Insurance showing Mortgagee as an additional insured thereon and that Mortgagee is entitled to notice of cancellation.
3. Mortgagor will pay the rents and other charges provided for and make payable in the lease within ten days (10) after such rent or charges are payable.
4. Mortgagor will at all times perform and comply with all agreements, covenants, terms and conditions imposed on or assumed by him as Lessee under the lease, and if Mortgagor shall fail to do so, Mortgagee may, at his option, take any

action Mortgagee deems necessary or desirable to prevent or to cure any default by Mortgagor in the performance of or compliance of any of the Mortgagor's covenants or obligations under the lease. Upon receipt by Mortgagee from Lessor under the lease of any written notice of default by the Lessee thereunder, Mortgagee may rely upon and take any action as aforesaid to cure such default even though the existence of such default or the nature thereof is questioned or denied by Mortgagor or by any party on behalf of the Mortgagor. Mortgagor hereby expressly grants Mortgagee and agrees Mortgagee shall have the absolute and immediate right to enter in and on the encumbered premises or any part thereof to such extent and as often as Mortgagee, in its sole discretion deems necessary or desirable in order to prevent or to cure any such default by Mortgagor. Mortgagor may pay and expend such sums of money as Mortgagee in its sole discretion deems necessary for any such purpose, and Mortgagor hereby agrees to pay Mortgagee, immediately and without demand, all such sums so paid on behalf of Mortgagor and expended by Mortgagee together with interest thereon on the date of each such payment at the rate of Twelve Percent (12%) per annum. All sums so paid and expended by Mortgagor and the interest thereon shall be added to and be secured by the line of this mortgage.

5. Mortgagor will not surrender their leasehold interest and interest herein above described, nor terminate or cancel the lease, and will not without the express written consent of the Mortgagee sell, transfer, encumber, modify, change, supplement, alter or amend the lease either orally or in writing, and such termination, cancellation, modification, change, supplement, alteration, or amendment of the lease without the prior written consent thereto by Mortgagee shall be void and of no force in effect. As further security to Mortgagee, Mortgagor does hereby deposit with Mortgagee his Assignment Of Lease received from Mortgagee, to be retained by Mortgagee until all indebtedness secured hereby is paid.

6. No release or forbearance of any Mortgagor's obligation under the lease, pursuant to the lease or otherwise, shall release Mortgagor from any of his obligations hereunder, including his obligations with respect to payment of rent as provided in the lease and performance of all the terms, provisions, covenants, conditions and agreements contained in the lease, to be kept, performed and complied with by the Lessee therein.

7. Mortgagor further agrees that his mortgage is given for the purpose of covering future advances from Mortgagee to Mortgagor to the extent that future advances are for the purposes of costs associated with improvements based on the real estate described herein.



8. Unless Mortgagee otherwise expressly consents to in writing the fee title to the property demised by the lease and the leasehold estate shall not emerge, but shall always remain separate and distinct, notwithstanding the union of the estate either in the Lessor or the Lessee or in a third party by purchase or otherwise.

It is expressly agreed that the whole of the principal sum and all accrued interest thereon shall become due at the option of the Mortgagee after default in the payment of any installment, principal or interest, for 30 days, or after default of the payment of any rent or other charge made payable by the lease for 30 days, or after default of the payment of any taxes or assessments for 60 days after notice and demand by the holder thereof or after 30 days of any covenant or condition contained in the Sale Agreement herein referred to.

Any decree of foreclosure of this mortgage shall include all costs, expenses and fees including reasonable attorney's fees and the costs of title search. In case such foreclosure should be settled before judgment is recorded therein, such costs, expenses and fees shall nevertheless be paid by the Mortgagor.

IN WITNESS WHEREOF, Mortgagor has executed this mortgage at Vancouver, Washington, the day and year first above written.

MORTGAGEE:

Carol L. Clunas  
CAROL L. CLUNAS

MORTGAGORS:

Angela Lauer  
ANGELA LAUER

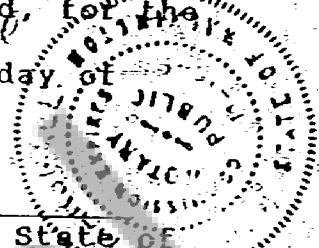
Timothy G. Lauer  
TIMOTHY G. LAUER

STATE OF WASHINGTON )  
 : ss.  
 County of Clark )

On this day personally appeared before me CAROL L. CLUNAS to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that 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 2 day of July, 1990.

*[Signature]*  
 NOTARY PUBLIC in and for the State of Washington, residing at Vancouver.  
 My commission expires: 11-15-93.

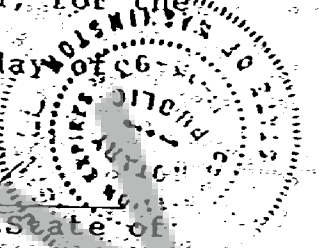


STATE OF WASHINGTON )  
 : ss.  
 County of Clark )

On this day personally appeared before me ANGELA LAUER to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that 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 2 day of July, 1990.

*[Signature]*  
 NOTARY PUBLIC in and for the State of Washington, residing at Vancouver.  
 My commission expires: 11-15-93.



STATE OF WASHINGTON )  
 : ss.  
 County of Clark )

On this day personally appeared before me ANGELA LAUER to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that 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 2 day of July, 1990.

*[Signature]*  
 NOTARY PUBLIC in and for the State of Washington, residing at Vancouver.  
 My commission expires: 11-15-93.



## PROMISSORY NOTE

\$34,500

July  
June 2, 1990  
VANCOUVER, WASHINGTON

For value received, we jointly and severly, promise to pay to the order of CAROL L. CLUNAS, the principal sum of THIRTY FOUR THOUSAND FIVE HUNDRED DOLLARS AND .00/1.00 (\$34,500) in lawful money of the United States of America with interest thereon at Twelve Percent (12%) per annum from date until paid, payable in installments of not less than Five Hundred Twenty Seven Dollars and 86/100 (\$527.86) due on the 1st day of August, 1990, in a like payment on the 1st day of each month thereafter until paid.

NOTWITHSTANDING the above installment payment and in addition thereto, there shall be balloon payments in the payment of this note in the following amount on or before the corresponding date:

Seven Thousand One Hundred Twenty Five Dollars (\$7,125) on or before October 2, 1990.

Balance of note on or before July 1, 1996.

Any and all payments whether an installment or balloon, shall be applied first to accrued interest and the remainder to principal.

In the event of default in the payment of any installment or balloon hereunder, time being of the essence, the holder of this note, without notice or demand, may declare the entire principal sum then unpaid, together with accrued interest, immediately due and payable.

In the event this Promissory Note is placed in the hands of an attorney for purposes of collection, the undersigned agrees to pay reasonable attorney's fees and costs as incurred by the holder of this note.

This note shall be governed by and construed in accordance with the laws of the State of Washington. This note is secured by a mortgage of leasehold interest and UCC-1 Financing Statement of even date.

Should this note be paid in full on or before July 1, 1991, the payors hereunder shall be allowed a Five Percent 5% discount as to the principal and accrued interest.

ANGELA LAUER

TIMOTHY G. LAUER



EXHIBIT "B"

SALE AGREEMENT

Agreement made this <sup>2nd</sup> day of <sup>July</sup> August, 1990 by and between CAROL L. CLUNAS, hereinafter referred to as Seller and ANGELA LAUER and TIMOTHY G. LAUER, individuals in their separate capacity, hereinafter referred to as Purchaser. ce  
S  
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RECITALS

1. Seller is the Lessee of lease site #126 of Northwoods on the shore of Swift Reservoir in Skamania County, Washington legally described as follows:

Cabin site #126 of the Northwoods, being part of government Lots #4 and #8, Section 26, Township 7 North, Range 6 East, W.M., Skamania County, Washington.

SUBJECT, however to an easement for right of way for access road acquired by the United States of America, United States Forest Service.

2. Seller is the owner of the cabin and improvements on said site and holds the title to said cabin and improvements.

3. Purchaser desires to purchase said cabin and leasing site #126 of Northwoods from the Seller.

Therefore, in consideration of mutual covenants contained herein, the parties agree as follows:

SECTION I.  
SALE OF PROPERTY

Seller agrees to sell and Purchaser agrees to purchase the cabin and improvements presently situated on site #126 of Northwoods being part of government Lots #4 and #8, Section 26, Township 7 North, Range 6 East, W.M., Skamania County, Washington.

Seller covenants that she is the owner of said property and has the right to sell said cabin. The cabin is free of all encumbrances, except for the restated lease between the State of

RECORDER'S NOTE:  
NOT AN ORIGINAL DOCUMENT

Washington and Waterfront Recreation Inc., a cabin site lease between Waterfront Recreation and Seller, and the rules and covenants, conditions, and restrictions imposed by the Northwoods Homeowners Association.

SECTION II.  
AS IS CONDITION

Purchaser has inspected the cabin and accepts the cabin in "as is" condition. Seller makes no warranties, expressed or implied, of any kind.

SECTION III.  
TERMS OF SALE

Purchaser shall pay Thirty Six Thousand Five Hundred Dollars (\$36,500) to the Seller as follows:

1. Down payment of Two Thousand Dollars (\$2,000) receipt of which is hereby acknowledged. *Note: \$1,000 of the above to be paid in 5 days.* cc  
JH

2. The balance of Thirty Four Thousand Five Hundred Dollars (\$34,500) to be paid at 12% interest per annum on the principal balance and with monthly payments beginning on or about the 1st day of August, 1990, in the amount of Five Hundred Twenty Seven Dollars and 86/100 (\$527.86) or more per month and a payment of Five Hundred Twenty Seven Dollars and 86/100 (\$527.86) on each month thereafter until paid in full. In addition, there shall be a balloon payment of Seven Thousand One Hundred Twenty Five Dollars (\$7,125) due on or before 90 days from the date of this agreement. Monthly payments shall be applied towards interest, late charge (if any) and principal in that order. Any amount due hereunder not paid within 10 days of the due date shall bear a \$25 late fee. There shall be no prepayment penalty and should payer pay in full the balance due hereunder within one year of the date of this agreement, the Purchaser shall be entitled to a payoff discount of 5% on the outstanding balance and any accumulated interest.

IN ANY EVENT PURCHASE PRICE HEREUNDER SHALL BE DUE AND PAYABLE IN FULL NO LATER THAN August 1, 1996.

Time is of the essence in this agreement.

The payment terms as evidenced in this section shall be reflected in an outside document entitled Promissory Note. This section in the Promissory Note shall be read in conjunction with each other. Any differences between the two documents shall be read in favor of the Promissory Note.



If the Seller so elects a collection account shall be established at a bank and the cost of which shall be shared by the parties.

#### SECTION IV. LEASE

The Seller further agrees to assign the lease site of #126 Northwoods as described above to the Purchaser. This assignment shall be evidenced by another document entitled Assignment Of Lease With Consent Of Lessor. The annual lease payments for 1989-1990 have been paid for a period between September 1, 1989 to August 31, 1990 in the amount of Eight Hundred Eighteen Dollars and 53/100 (\$818.53). The lease of the cabin site is controlled and should be in accordance with the terms of the Master Restated Lease between the State of Washington, Department of Natural Resources as the Lessor and Waterfront Recreation, Inc., as the Lessee, dated February 3, 1986, and herein referenced and incorporated by reference as Exhibit "A" and a Cabin Site Lease between Waterfront Recreation, Inc., as Lessor and Harold and Carol Clunas, as Lessee and herein referenced and incorporated as Exhibit "B".

Purchaser agrees to be bound by the covenants and conditions of said leases and make payments in accordance therewith. Any breach of the lease herein assigned or this Sale Agreement, or any other documentation of this sale or of the underlying lease as mentioned herein by the Purchaser, shall allow Seller all remedies included herein or in conjunction with the underlying leases or under the law.

#### SECTION V. INSURANCE

Purchaser acknowledges that upon the closing/possession of the cabin sold herein, Purchaser must hereby agree to provide a certificate of insurance addressed to Waterfront Recreation, Inc., to the State of Washington, Department of Natural Resources and to the Seller, and those three legal entities are to be named as additional insured on said policy.

Said insurance shall be amounts and conformance with insurance requirements for the said underlying leases.

#### SECTION VI. TAXES, ASSESSMENTS AND ASSOCIATION DUES

Taxes and assessments shall be the responsibility of the Purchaser and are charged against any improvements placed upon the

cabin site now or in the future. Further, Purchaser shall be required to pay dues incurred by the Northwoods Association, Inc.

**SECTION VII.  
ASSIGNMENT**

Until full payment hereunder, Purchaser shall not assign or encumber the right hereunder without the prior written consent of the Seller. This provision shall be read in conjunction with Section \_\_\_\_\_ (Due on Sale).

**SECTION VIII.  
REMEDIES**

Any default hereunder (including the underlying leases as herein mentioned) by Purchaser and with default not being cured after fifteen (15) days notice, Seller may have the following remedies, which remedies are not limited in any way:

1. The right to take immediate possession of the cabin and other improvements on the site; and/or
2. Terminate the lease hereunder and take possession of the property; and/or
3. Accelerate the amount due hereunder and collect all amounts due.

The Seller is not limited to any of the remedies above and may still exercise any and all other remedies available at law.

**SECTION IX.  
WASTE**

Purchaser shall keep all improvements on the site in good condition and repair, from waste in any manner.

**SECTION X.  
STATUS OF CABIN AS PERSONAL PROPERTY**

Parties agree that the cabin and improvements located on said site shall be treated as personal property on leased land.

SECTION XI.  
ADDITIONAL DOCUMENTATION

Parties agree to execute any further documentation necessary to effect the intent of this agreement including but not limited to security agreements affecting Seller's interest in the cabin or lease, deeds, closing documents, settlement papers, etc.

SECTION XII.  
REPRESENTATIONS

Purchaser acknowledges that they have received such documentation concerning the sale of the cabin or lease of the site including but not limited to:

1. Notice from Waterfront Recreation concerning insurance.
2. Supplemental agreement concerning use of generators, garbage disposal and clothes washer; and
3. "SOME THINGS YOU SHOULD KNOW BEFORE BECOMING A CABIN SITE LESSEE" dated August 19, 1986.

SECTION XIII.  
PENDING LITIGATION

The parties acknowledge that there are a number of lawsuits filed on behalf of the Northwoods Home Owners Association. Any and all lawsuits filed at the time of this agreement on behalf of and in the name of Northwoods Home Owners Association shall derive to the benefit of CAROL CLUNAS. That is any benefits or monies received as a result of said lawsuits shall go to CAROL CLUNAS and not to the Purchasers under this agreement. The purchasers agree to contact the seller concerning news of any type of settlement or recovery in this matter.

SECTION XIV.  
DUE ON SALE

Should the Purchaser sell, transfer, encumber in any manner the improvements sold herein or the underlying lease the entire amount due to the Seller from the Purchaser shall become immediately due and payable.



SECTION XV.  
CLOSING

Any and all fees of closing shall be divided among the parties except for any and all excise tax which shall be paid for by the Seller.

SECTION XVI.  
TANK EQUIPMENT RENTAL

That the Seller further assigns all her rights under a Meter Gas Service and Rental Agreement with Domestic Industrial Gas Company. Buyers agree to assume the obligations thereunder concerning the tank and equipment which are presently rented by the Seller from said company.

SECTION XVII.  
BOAT DOCK

Seller further assigns her rights and obligations as to boat dock number 80 which the Buyer can use and rent subject to the approval of the Home Owners Association.

SECTION XVIII.  
ADDITIONAL PERSONAL PROPERTY

Included in the sale price will be the following additional property: generator, refrigerator, wood stove and stove.

SECTION XIV.  
APPLICABLE LAW

This agreement and all other associated documents shall be governed in accordance with the laws of the State of Washington.

SELLER:

Carol L. Clunas  
CAROL L. CLUNAS

PURCHASERS:

Angela Lauer  
ANGELA LAUER

Timothy G. Lauer  
TIMOTHY G. LAUER

STATE OF WASHINGTON )  
County of Clark ) ss.

On this day personally appeared before me CAROL L. CLUNAS to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that 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 2 day of July, 1990.

Heidi G. Mueller  
NOTARY PUBLIC in and for the State of  
Washington, residing at Vancouver.  
My commission expires: 11.15.93.

STATE OF WASHINGTON )  
 County of Clark ) ss.

On this day personally appeared before me ANGELA LAUER to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that 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 2 day of July, 1990.

*[Signature]*

NOTARY PUBLIC in and for the State of Washington, residing at Vancouver.  
 My commission expires: 11-15-93

STATE OF WASHINGTON )  
 County of Clark ) ss.

On this day personally appeared before me TIMOTHY G. LAUER to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 2 day of July, 1990.

*[Signature]*

NOTARY PUBLIC in and for the State of Washington, residing at Vancouver.  
 My commission expires: 11-15-93



STATE OF WASHINGTON  
DEPARTMENT OF NATURAL RESOURCES  
BRIAN J. BOYLE, Commissioner of Public Lands  
Olympia, Washington 98504

Lease No. 58985

THIS RESTATED LEASE supersedes the original Lease No. 58985, dated August 11, 1970 and all subsequent amendments thereto (dated February 10, 1972; September 17, 1975; and August 30, 1977) and is entered into pursuant to the terms of the North Woods Settlement Agreement dated May 24, 1984. The STATE OF WASHINGTON, acting by and through the Department of Natural Resources, (hereinafter called the State) and WATER FRONT RECREATION, INC., a Washington Corporation, (hereinafter called the Lessee): The State leases to the Lessee the following described school land in Skamania County, Washington, on the terms and conditions stated herein, to wit:

Government Lots 4 and 8, Section 26, Township 7 North, Range 6 East, W.H., having an area of 88.40 acres, more or less.

Subject, however, to an easement for right of way for access road acquired by the United States of America, United States Forest Service.

## SECTION 1 OCCUPANCY

1.01 Term. This lease originally commenced on June 1, 1970 and shall extend to May 31, 2069.

1.02 Renewal. The Lessee shall have the right to the extent provided by law, to apply for a re-lease of the site.

## SECTION 2 USE OF SITE

2.01 Permitted Use. The site shall only be used for the purposes stated in the Lessee's bid, unless the Lessee first obtains written permission from the State to amend the development plan to use the site for other purposes.

## SECTION 3 RENTAL

3.01 Rental. The Lessee shall pay to the State at the Department of Natural Resources, Olympia, Washington 98504 annually in advance \$15,680.00 commencing September 15, 1985. The State acknowledges that Lessee has paid all rents due for the use of the premises until September 15, 1985 except for those sums which may be calculated or become due pursuant to Sections 5.3 and 21 of the North Woods Settlement Agreement (dated May 24, 1984).

3.015 Annual Rental Adjustment. The State agrees not to charge rent otherwise due under Sections 3.01, 3.02, and 3.03 for the time overnight use of the property is denied by government action based upon another actual or potential eruption of Mount St. Helens (after May 18, 1982) when such overnight use is prevented for at least thirty (30) consecutive days. Any such rental reduction shall be calculated on a prorated basis (i.e.: number of days access denied divided by 365).

RECORDER'S NOTE:  
NOT AN ORIGINAL DOCUMENT

**3.02 Reappraisal.** On June 1, 1980, and at intervals of not less than ten years thereafter for the period of June 1, 1980 to June 1, 2024, a new annual rental will be established. The new rental will be the Fair Market Rental Value of the leased land, exclusive of the Lessee's improvements, as determined by the State's appraiser. In determining Fair Market Rental Value the appraiser will consider any tax benefits afforded the land and improvements accruing to the Lessee by reason of leasing State land in comparison to leasing privately owned land, and adjust the rental to eliminate any tax advantage. The land shall be appraised within six months of a rental adjustment period, provided that in the event such reappraisals should be cause for an increase in the annual rental, such increase shall not be greater than 40% of the annual rental as established for the preceding ten year rental period. However, in no event will the adjusted annual rental be less than \$11,200.00.

The annual rental payable in advance September 15, 2025 and each succeeding year thereafter to the end of the lease term under Section 3.01 shall be based upon the full Fair Market Rental Value of the leased land, exclusive of any improvement of the Lessee or Sub-lessees. Such full Fair Market Rental Value shall be determined by the State's appraiser and shall be binding unless disputed by the Lessee. The annual rental shall be adjusted as of June 1, 2025 and at five year intervals thereafter. There shall be no limitation (40% or otherwise) upon any increase or decrease in rent needed to achieve full Fair Market Rental Value of the leased lands as compared to any prior annual rental.

In the event that agreement cannot be reached between the State and the Lessee on the Fair Market Rental Value of the land, such valuation shall be submitted to arbitration. The arbitration shall be as follows: One arbitrator to be selected by the Lessee and his expenses shall be borne by the Lessee, one arbitrator selected by the State and his expenses shall be borne by the State; these arbitrators so selected shall mutually select a third arbitrator and his expenses shall be shared equally by the Lessee and the State. The majority decision of these arbitrators shall be binding on both parties. Provided that in the event of arbitration, the Lessee shall pay, in advance, the amount established for the preceding year's rental; and, if additional rental is required as a result of arbitration, such money shall be due and payable within ten days after arbitration. If a refund should be due, it shall be returned by the State within ten days after arbitration.

**3.03 Percentage Rental From Subleases.** In addition to the annual rental, the Lessee will pay to the State as additional rental an amount equal to 10% of the gross receipts from subleases and 5% of the gross receipts from concessions. Any increase in a sublease rental which results from the reappraisal provided herein, as noted in Section 3.02, will not be considered in determining the additional rental based on the 10% of gross receipts from the sublease.

**3.04 Definition of Gross Receipts From Concession.** "Gross receipts" shall mean the amount paid or payable for all goods, wares, merchandise, personal property, and services by the Lessee or others, including credit transactions. Where goods, wares, merchandise, personal property, and services are exchanged or bartered, gross receipts shall mean the reasonable value thereof. Sales or services rendered by the Lessee or others directly or indirectly from any other premises because of orders originating in or arising out of business transacted on the leased premises are included. Amounts not collected on credit sales are included. State business and occupation taxes on any activity or business operated on the premises and State sales taxes are excluded. Notwithstanding the foregoing, gross receipts exclude, among other things, profits, commissions and rents on the building, sale or leasing of cabins.

**3.05 Yearly Payments.** Payments of percentage rent shall commence on September 15, 1978 and be made annually thereafter (except for percentage rents for prior periods calculated pursuant to Section 5.3 of the North Woods Settlement Agreement dated May 24, 1984). Delinquent percentage rental shall draw interest at the rate of 1% per month. Payment shall be made to the State at the Department of Natural Resources, Olympia, Washington 98504.

**3.06 Records.** The Lessee shall install and maintain at a location reasonably accessible to the State an accounting system wherein appear clear, complete, and detailed records of all business of every kind and character affecting gross receipts, whether by the Lessee or others. The State shall at all reasonable times have access to any and all of the Lessee's books, records, files and State and Federal tax and contribution returns of all kinds for the purpose of examining and copying them. Examination and copying shall only be utilized for the purpose of determining whether or not the Lessee has performed this lease in all respects. In order to assure accurate percentage payments that are based on concession receipts, Lessee shall provide:

1. Quarterly, a copy of the Stores, State Department of Revenue Combined Excise Tax Return - Form REV. 40-2406 (6-76).
2. Available for immediate audit:
  - A. Daily Cash Register and/or receipt book records to confirm gross revenue
  - B. Federal Income Tax returns
  - C. Sales Tax Statements
  - D. B & O Tax Statements

**3.07 Reports.** The Lessee shall render yearly reports of gross receipts at the time yearly payments of percentage rent are due. The reports shall show in reasonable detail as the State shall specify, the amount of gross receipts during the preceding year.

**3.08 Audits.** The Lessee shall provide once each year, without expense to the State, an audit report certified by an accountant satisfactory to the State showing sales and other income credits affecting gross receipts and components thereof.

#### SECTION 4 RESERVATIONS

**4.01 Compliance.** The State shall have access to the site at all reasonable times for the purpose of securing compliance with the terms and conditions of this lease.

**4.02 Access.** The State reserves the right to grant easements and other land uses on the site to itself and others when the easement or other land uses applied for will not unduly interfere with the use to which the Lessee is putting the site or interfere unduly with the plan of development for the site. No easement or other land uses shall be granted until damages to the leasehold shall first have been ascertained by the State and paid to the Lessee by the applicant for the easement or other land use.

**4.03 Restrictions on Use.** In connection with use of the site the Lessee shall:

- (1) Conform to all public authority concerning planning, zoning and other requirements which may affect the leased site in the same manner as if the land was leased from a private owner;
- (2) Cut no State timber or remove State-owned valuable material without prior written consent of the State. The Lessee must pay to the State the Fair Market Value of the timber or valuable material, as determined by the State, before cutting timber or removal authorization is granted;
- (3) Take all reasonable precautions to protect the land and improvements on the leased site from fire, make every reasonable effort to report and suppress such fires as may affect the leased site, and shall be subject to applicable fire laws affecting the leased site;
- (4) Not allow debris or refuse to accumulate on the leased site.



## SECTION 5 REQUIREMENTS

**5.01 Assignment and Sublease.** This lease or any portion thereof may not be assigned nor may the lands held hereunder be sublet without the written consent of the State, except as specified in the original or amended plan of development.

**5.02 Duty.** The Lessee, at his sole cost and expense, shall at all times keep or cause all improvements, including landscaping, installed pursuant to this lease (regardless of ownership) to be kept in as good condition and repair as originally constructed or as hereafter put, except for reasonable wear and tear. The State, or any authorized agency shall have the legal right to inspect the premises and improvements thereon. The Lessee shall carry, or he shall require his Sub-lessees to carry by a responsible company or companies satisfactory to the State, a sufficient amount of fire and casualty insurance to cover the replacement cost of any or all improvements that may be damaged by fire or other casualty. Such insurance policy or policies, excepting those for single-family residential subleases, are to be endorsed and delivered to the State with provisions for thirty (30) days notice of cancellation to the State. Such insurance policies for single-family residential subleases shall be carried by responsible companies satisfactory to the State. The policies shall be endorsed and delivered to Lessee with provisions for thirty (30) days notice of cancellation.

The Lessee shall supply evidence satisfactory to the State of insurance on single-family residential subleases. Once the initial evidence has been delivered to the State, the Lessee is not required to supply evidence of insurance on an annual basis, provided, however, the State reserves the right to call for proof of satisfactory insurance at any time. In the event of fire or casualty damage to any or all of the improvements, the paid insurance benefits shall be used to immediately replace said improvements in a manner subject to reasonable approval by the State, or at the option of the Lessee, the proceeds from such insurance may be paid to the State in lieu of replacing said improvements.

**5.03 Condition of Site and Liability.** The site has been inspected by the Lessee and is accepted in its present condition. The Lessee agrees to defend and hold the State harmless from any and all claims suffered or alleged to be suffered on the site or arising out of operations on the site. Prior to starting developmental work on the site, the Lessee shall procure and thereafter, during the term of the lease, shall continue to carry public liability and property damage insurance, with a financially responsible company, in the amount of not less than \$500,000.00 for injury to one person, \$1,000,000.00 for injury to two or more persons, and \$100,000.00 for damage to property. The amount of insurance required may hereafter be increased or decreased, at the option of the State, at the time the rental is reappraised pursuant to Section 3.02. Certificates evidencing such insurance and bearing endorsements requiring thirty (30) days' written notice to the State prior to any change or cancellation shall be furnished to the State before the Lessee commences any developmental work on the site.

**5.04 Liquidated Damages.** The Lessee hereby agrees that liquidated damages equal to the annual rental then in effect shall be paid to the State should the Lessee fail to complete the plan of development or should Lessee default on the rental payment or elect to forfeit his rights under this lease. A surety bond equal to the amount of required liquidated damages must be supplied to the State within thirty days after the lease is executed and remain in force until the expiration of the lease or such time as the State shall release, in writing, the Lessee from this obligation. Said bond to be supplemented according to any rental adjustment within 30 days of such adjustment.

**5.05 Improvement Bond.** Before commencement of construction by Lessee of any improvement costing in excess of \$2,500.00 on the leased site, Lessee agrees to provide security which will guarantee completion of the improvement, and payment in full of claims of all persons for work performed in or materials furnished for construction. Lessee may provide said security by either:

A. Posting a surety bond in an amount equal to the cost of each improvement, said bond to be deposited with the State and to remain in effect until the improvement is satisfactorily completed. Said bond shall be conditioned upon the faithful performance of Lessee, and give all claimants the right of action to recover upon said bond in any suit brought to foreclose mechanic's or materialmen's liens against the site;

B. Any other method first approved in writing by the State.

5.06 Assessments. The Lessee shall pay the annual payments on all assessments and taxes that are legally charged now or may be charged in the future to the State land or the improvements thereon.

5.07 Default. If any rent shall be and remain unpaid when the same shall become due, or if Lessee shall violate or default in any of the covenants and agreements herein contained, then the State may cancel this lease, provided the Lessee has been notified of the rental due, the violation or the default, 60 days prior to said cancellation and said violation, default or nonpayment has not been cured by Lessee within 60 days.

5.08 Insolvency of Lessee. If the Lessee becomes insolvent, the State may cancel, at its option, the lease unless the lease has been used as collateral with the State's consent. If the Lessee should default in payment to the lending agency, the State upon request by the lender shall assign the lease to the lending agency who may, thereafter, either operate the leased site or, with the approval of the State, assign the lease.

5.09 Status of Subleases. Termination of this lease, by cancellation or otherwise, prior to the lease termination date, shall not serve to cancel approved subleases, nor derogate from the rights of the lienholders of record, but shall operate as an assignment to the State of any and all such subleases, together with the unrestricted right of the State to receive all sublease payments therein provided for from the date of said assignment. Upon termination of this lease, by cancellation or otherwise, prior to the termination date of said lease, the Lessee shall have no claim to sublease payments and/or sublease improvement values herein contained.

#### SECTION 6 MISCELLANEOUS

6.01 No Partnership. The State is not a partner nor a joint venturer with the Lessee in connection with business carried on under this lease and shall have no obligation with respect to the Lessee's debts or other liabilities.

6.02 Warranty. The State warrants that it is the owner of the leased site and has the right to lease it free of all encumbrances except those set out under the description of the leased premises.

6.03 Non-Waiver. Waiver by either party of strict performance of any provisions of this lease shall not be a waiver of nor prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

6.04 Attorney Fees. If suit or action is instituted in connection with any controversy arising out of this lease, the prevailing party shall be entitled to recover costs including such sum as the court may adjudge reasonable as attorney fees.

6.05 Succession. Subject to the limitations as stated in Sections 5 - 5.01 and 5 - 5.08, on transfer of the Lessee's interest, this lease shall be binding upon and inure to the parties, their respective successors and assigns.

6.06 Notices. Any notice required or permitted under this lease shall be given when actually deposited in the United States mail as certified mail addressed as follows: To the State: Department of Natural Resources, Olympia, Washington 98504. To the Lessee: At the address given by the Lessee in the signature block or as specified in writing by the Lessee.

6.07 State's Right to Cure Defaults. If the Lessee is in default by failure to perform any covenant(s) of this lease, the State shall have the option to correct the default or cancel the lease after sixty (60) days' written notice to the Lessee. All of the State's expenditure to correct the default shall be reimbursed by the Lessee on demand with interest at the rate of 8% per annum from the date of expenditure by the State. The written notice shall have no effect if the Lessee cures the default specified in the notice during the 60 day period. Provided that, if the default is injurious to the public health or safety, the State may, in the absence of an indicated attempt by the Lessee to cure the default, immediately enter upon the site and cure said default. Any expense so incurred by the State shall be charged against the Lessee and be payable by the Lessee within 30 days after the receipt of the billings for said expense.



**6.08 Lease Recording.** Within 30 days after receipt of this lease, a notification of leasing is to be recorded by the Lessee with the Skamania County Auditor's office located in Stevenson, Washington.

**6.09 Reservoir Level.** The Lessee or Sublessees, if any, acknowledge by signing this lease that Pacific Power and Light Company has the right to fluctuate the waters of Swift Reservoir at any time within the provisions of Federal Power Commission License No. 2111. The Lessee or Sublessees, if any, shall waive all claims of damage and shall indemnify Pacific Power and Light Company, the State or their successors, if any, against any claim of damage arising from recreational use of the reservoir or shoreline or floating facilities.

## SECTION 7 OPERATION OF SITE

**7.01 Operational Uses and Responsibilities.** In conjunction with the operation of the site, the following uses shall be allowed:

(1) Subleasing of buildings and/or facilities located on the site as indicated in original or amended plan of development;

(2) Construction, improvements, operation, repair, etc., made or performed under the lease shall be at the sole cost of the Lessee or Sublessees. The Lessee or his Sublessee shall furnish all utilities and shall obtain all Federal, State and local permits and licenses necessary to perform the terms, conditions and covenants of this lease.

## SECTION 8 IMPROVEMENTS

**8.01 Unauthorized Improvements.** All improvements not included in the original or amended plan of development made on or to the site without the written consent of the State shall immediately become the property of the State.

**8.02 Severance of Improvements not on State Land.** If any of the Lessee's improvements utilize, in addition to State land, lands adjoining State land but not owned by the State, the State shall have at the expiration, termination, or the surrender of the leasehold to enter upon the adjoining land to physically sever at the boundary, without liability for damage as result thereof, the improvements; thereafter, to use the severed improvements remaining on State land for any purpose.

**8.03 Ownership of Improvements.** All buildings and improvements, excluding removable personal property and trade fixtures on the lease site will remain on said site after termination or expiration of this lease or any renewal thereof and shall thereupon become the property of the State; except as provided in 8.04, provided, however, that as a condition of any re-leasing of the subject property to any other party made during the three year period following the expiration of this lease or any renewal thereof, the State shall require the subsequent Lessee to purchase the Lessee's interest in the improvements as allowed by law, and provided further that the written consent of the State is required for those Lessee owned improvements having an individual value in excess of \$10,000.00 and placed on or to the site after January 1, 1990. Such consent may provide that the improvements shall become the property of the State on a specific date following the expiration of this lease. At the expiration of this lease or any renewal thereof the State shall make a reasonable effort to re-lease the site.



8.04 Ownership of Sublessee Improvements. All buildings and improvements, excluding removable personal property and trade fixtures on the leased site erected by Sublessees will remain on said site after expiration of this lease or termination prior to the term of this lease of any sublease held by the State under the provisions of Section 5.09; provided, however, upon the expiration of the lease, if the State is unsuccessful in re-leasing the leased site as a unit, then each Sublessee shall have a preferential right as allowed by law to re-lease from the State its subleased area; provided, further, upon the termination or expiration of this lease or a sublease assigned under Section 5.09 that as a condition of any re-lease of the leased site or subleased site to any other party made during the three year period following the State shall require the subsequent Lessee to purchase the Sublessee's interest in the improvements as allowed by law. Expiration, as used in this paragraph, shall mean the expiration of the lease as of May 31, 2069.

The Lessee expressly agrees to all covenants herein and binds himself for the payment of the rental hereinbefore specified.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_.

STATE OF WASHINGTON  
DEPARTMENT OF NATURAL RESOURCES

\_\_\_\_\_  
Commissioner of Public Lands

Signed this 3rd day of February, 1986.

WATER FRONT RECREATION, INC.

By Robert T. Curry  
Robert T. Curry, President Title

By Walter W. Wood  
Secretary Title

2293 Verus Street  
San Diego, California 92154

App. No. 58985  
091152

CORPORATE ACKNOWLEDGMENT

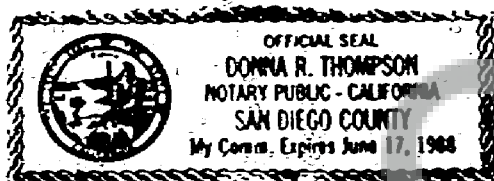
STATE OF CALIFORNIA )  
COUNTY OF SAN DIEGO ) ss

On this 3rd day of February, 1986, before me personally appeared ROBERT T. CURRY

to me known to be the President

of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (he/she was) ~~(they were)~~ authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.



Donna R. Thompson  
Notary Public in and for the State of  
California residing at \_\_\_\_\_

CORPORATE ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared \_\_\_\_\_

\_\_\_\_\_ to me known to be the \_\_\_\_\_ of the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (he/she was) (they were) authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public in and for the State of \_\_\_\_\_  
\_\_\_\_\_ residing at \_\_\_\_\_



## CABIN SITE LEASE

BOOK 120 PAGE 987

WATER FRONT RECREATION, INC., a Washington corporation, hereinafter called Lessor, in

consideration of the rents to be paid and covenants to be performed by Harold + Carol

hereinafter called Lessee, leases to Lessee the following described cabin site on the terms and conditions stated herein:

Cabin site number 126 of the North Woods as shown in red on Exhibit "A" attached hereto (all distances being approximations), being part of Government Lots 4 and 8, Section 26, Township 7 North, Range 6 East, W.M., Skamania County, Washington, SUBJECT, however to an easement for right of way for access road acquired by the United States of America, United States Forest Service.

## SECTION 1. OCCUPANCY

1.01 Term. This Lease is granted for the period beginning February 7, 1977, and terminating on June 1, 2025, unless sooner terminated as hereinafter provided.

1.02 Master Lease. Lessor holds the above described premises under a lease, hereinafter referred to as the "master lease," dated August 11, 1970, from the State of Washington, acting by and through the Department of Natural Resources.

1.03 Master Lease Incorporated. The master lease is on file with Lessor and is available for inspection. Lessee's rights hereunder are subject to all the terms, provisions, exceptions and reservations set forth in said master lease (as to which Lessee is a sub lessee) and incorporated herein by reference, including, without limiting the foregoing an easement for right of way for an access road acquired by the United States of America, United States Forest Service and the right of the State of Washington to inspect the premises at reasonable times.

## SECTION 2. RENTAL

2.01 Basic Rental. As rental for each lease year, the Lessee shall pay the sum of Four Hundred Dollars (\$400.00). Rent shall be paid in advance, on the first day of September in each year, hereinafter referred to as the "anniversary date." All payments shall be made to Lessor at 9655 S.W. Canyon Road, Portland, Oregon, or at such other place at which the Lessor may notify the Lessee in writing. Rent for the fraction of any lease year shall be prorated. The lease year shall be from September 1 through the succeeding August.

2.02 Rent Adjustments. Lessor may, as of any anniversary date, increase the annual rental as follows:  
(a) Under the master lease, Lessor's rental to the State of Washington may be increased on June 1, 1980, and at intervals of not less than ten (10) years thereafter. Lessor may increase Lessee's rental hereunder at such times as Lessor's rental under the master lease is increased. The amount of such increase that the Lessee shall be responsible for and required to pay shall equal the total annual rental increase under the master lease to Lessor multiplied by the Lessee's annual rental to the Lessor divided by the total annual rental of the Lessees of the sites in the North Woods. Annual rental as used herein shall mean the total rent the Lessee is required to pay to Lessor for the year immediately preceding the year of the increase. The aforesaid formula is illustrated as follows:

Lessee's share of increase	=	Increase under master lease to Lessor	X	Lessee's annual rental	÷	Total annual rentals of sites
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(b) In addition to the increase permitted under subparagraph (a) above, Lessor may as of any anniversary date, increase the annual rental hereunder on account of taxes and assessments against said real property in an amount, which together with prior increases on account of taxes and assessments, shall not exceed the total of the amount by which taxes and assessments on the land covered by the master lease exceeds such taxes for 1970, divided by the number of improved cabin sites on said anniversary date.

(c) Finally, every ten years beginning September 1, 1985, the annual rental shall, at the option of the Lessor, be adjusted to reflect the percent of increase from September 1, 1975, in the Consumer Price Index as published by the Bureau of Labor Statistics, U.S. Department of Labor; that is, the annual rental each year for the succeeding ten years shall be increased as compared with the annual rental as set forth herein by the same percentage as the increase in said Consumer Price Index differs from said Index for September 1, 1975.

## SECTION 3. LESSOR'S CONVENANTS

3.01 Declaration. In order to preserve the natural beauty of the North Woods, to provide for the control of structures erected thereon, improvements to be made thereon, and for the purpose of extending to the residents therein the greatest possible peace, enjoyment, privacy, health, comfort, safety, and preservation of property values, Lessor does hereby certify and declare that with the sole exception of lot 19, which is the North Woods Sales Office, the following reservations, conditions, covenants, agreements and restrictions shall become and are hereby made a part of all leases of property within the plat of the North Woods as the same appears on the map survey recorded in the office of the County Auditor of Skamania County, Washington.

3.02 Boat Dock. Lessor shall construct a boat dock for the common use of residents of the North Woods. In the event construction of said boat dock is not completed by September 1, 1972, it is hereby agreed that in lieu of such construction, Lessor shall contribute \$5,000.00 to the North Woods Association, hereinafter described in paragraph 5.09, for construction of such dock.

## SECTION 4. USE OF SITE

4.01 Permitted Use. The cabin site shall be used only for residential purposes. No building shall be erected, altered, placed, or permitted to remain on the cabin site other than one detached single family dwelling and buildings incidental to residential use, and the cabin site shall not be further subdivided into building lots.

4.02 Condition of Site. The premises hereby leased have been inspected by Lessee and are accepted in their present condition.

4.03 Vehicles. No vehicles shall be parked in roadways. Vehicles shall not be operated carelessly or in excess of posted speeds. No vehicle shall be operated at any time without a muffler in good working order. Excessive motor noise or annoying smoke are forbidden.

4.04 Maintenance. All lots shall at all times be kept in a clean, sightly, and wholesome condition and no trash, garbage, litter, junk, boxes, containers, bottles, cans, machinery, implements, lumber, or other building materials shall be permitted to be or remain exposed on any lot and visible from any street or adjoining or nearby premise.

4.05 Signs. No signs of any kind shall be displayed to the public view on any lot in the tract except one professional sign, of not more than 18 inches by 24 inches in size, advertising the property for sale or rent, and except signs used by a builder or developer to advertise the property during the construction and sales period.

4.06 Nuisance. No noxious or offensive trade or activity shall be carried on or upon any lot in the tract shall anything be done thereon which may be or become an annoyance or nuisance in the area.

## SECTION 5. IMPROVEMENTS continued

4.07 Animals. No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any lot, except that cats, dogs, or other household pets may be kept, but not for any commercial purpose. Household pets shall not be allowed to become an annoyance or nuisance to the neighborhood.

4.08 Incineration. Because of unpleasant odors and unsightliness, no individual incinerator will be permitted on any lot.

4.09 Fires and Fireplaces. Interior fireplaces, stoves, or other type burner must be fireproofed by use of sparkproof screens. All fires must be extinguished before leaving cabin. No fires shall be lit or maintained outside of any cabin.

4.10 Firearms and Fireworks. Discharging firearms, firecrackers, rockets or any other fireworks within the North Woods area shall be prohibited.

4.11 Commercial Use. No platted lot shall be used for any commercial purpose, except that a Lessee may rent his cabin from time to time, and in such case shall be responsible that his tenants abide by these covenants.

4.12 Motorbikes. No motorbike or motorcycle riding of any nature shall be allowed except for ingress and egress.

4.13 Fire Extinguisher. One fire extinguisher (minimum two quart capacity) must be kept in every cabin.

4.14 Trailers and Tents. No tent, house trailer, or mobile home, whether the same be on wheels or not, shall be permitted on any lot except during the period of cabin construction and for guests over a weekend period.

4.15 Solicitation. There shall be no solicitation or distribution of handbills or circulation of any kind without the written consent of Lessor.

4.16 Hose Bibs. One hose bib shall be installed on outside wall of each cabin for fire protection on or before completion of the cabin.

## SECTION 5. IMPROVEMENTS

5.01 Plans Approved. No building shall be erected, placed, or altered on the cabin site until the construction plans showing the location of the structure have been approved by the Lessor as to conformity with plan of development, quality of workmanship and materials, harmony of external design and color with existing structures, and as to location with respect to topography and finish grade elevation. Such approval shall be in writing.

5.02 Building Materials. All building construction shall be of log or wood frame. Wood frame stucco or simulated brick veneer construction is expressly prohibited. All roofs shall be of wood shingle or shake, or of an acceptable composition — color to be approved prior to application by the Lessor or such person or persons designated by Lessor.

5.03 Completion. Cabins must be completed from all outward appearance within one (1) year from the time such construction is started. Cabin construction must be started within three years from the date of the signing of Cabin Site Lease.

5.04 Tree Removal. The Lessee of each cabin site may remove from said site all trees, shrubs, and foliage necessary to prepare the property for building subject to the following conditions:

As required by the State of Washington in the master lease, any tree whose diameter is over 8" at chest height must be marked by Lessee for Lessor's inspection. Lessor will then notify the Washington State Department of Natural Resources and request their standard appraisal of value. Lessee will then pay Lessor for the value of the tree before removal. Any additional clearing beyond that necessary for the construction of improvements shall be prohibited. The intent is to remove as few trees as possible to the end that the community remain natural and rustic.

5.05 Lot Markers. Lessee will use all reasonable care to make certain that the lot markers, as established by Lessor, are not moved or destroyed.

5.06 Improvements Other Than On Cabin Site. No improvements of any kind shall be constructed or placed upon any area covered by the master lease without Lessor's prior written consent.

5.07 Ownership of Improvements. The master lease provides as follows:

"8.04 Ownership of Sub-lessee Improvements. All buildings and improvements, excluding removable personal property and trade fixtures on the leased site [North Woods], erected by Sub-lessee [Lessee herein] will remain on said site after expiration of this lease [master lease] or termination prior to the term of this lease [master lease] of any sub lease [this lease] held by the State under the provisions of paragraph 5.09; provided, however, upon the expiration of the lease [master lease], if the State is unsuccessful in re leasing the leased site [North Woods], as a unit, then each sub-lessee [Lessee herein] shall have a preferential right as allowed by law to re lease from the State its sub-leased area; provided, further, upon the termination or expiration of this lease [master lease] or a sub lease [this lease] assigned under paragraph 5.09 that as a condition of any re lease of the leased site or sub-leased site to any other party made during the three year period following the State shall require the subsequent Lessee to purchase the Sub-lessee's [Lessee herein] interest in the improvements as allowed by law. Expiration, as used in this paragraph, shall mean the expiration of the lease as of May 31, 2025."

The parties hereto agree that the terms and conditions of the above quoted paragraph shall be applicable provided:

- (a) That Lessee is not in default under any of the terms and conditions of this lease; and
- (b) That Lessee's lease expires May 31, 2025. In the event of earlier expiration of this lease, all buildings and improvements located upon the premises shall be the property of Lessor.

The parties hereto further agree that the benefits of paragraph 8.04 of the master lease shall be enforceable solely against the State of Washington.

5.08 Taxes and Assessments. The Lessee shall pay in annual payments all taxes and assessments that are now charged or may become chargeable against the improvements placed upon the cabin site, now or in the future, commencing with the taxes first becoming due and payable after the date hereof, all before such taxes and assessments become past due.

5.09 North Woods Association. The roads in the plat and certain other common areas shall be held in the name of The North Woods Association, a non profit association, of which the Lessees of lots in the plat shall be members. Said Association shall be responsible for the maintenance and repair of roads, the entire water system including but not limited to water systems serving the cabins on the premises, docks and common areas and improvements thereon (if any), as well as other community functions which may be given it by its members. The owners (Lessees) of lots in the tract shall be required to pay dues of not less than one and one-half dollars (1½) per month and assessments to said Association for their reasonable share of the costs of the functions and duties of the Association. Said dues shall commence at the time 50 lots are leased. It is understood and agreed that Lessor shall and it is hereby delegated to fulfill all duties, responsibilities and functions of the North Woods Association until fifty (50) lots in the North Woods are leased. At that time Lessor shall call a meeting of all Lessees for the purpose of forming said Association.



## SECTION 6. UTILITIES

6.01 Sewage. Individual sewage disposal systems installed by Lessee must be designed, located, and constructed in accordance with the legal regulations, laws and ordinances of Skamania County and the State of Washington.

6.02 Reservation. Lessor reserves to itself and to its successors and assigns easements in, under, and along all roads and other common areas in the plat for any utilities whether presently installed or not. In addition, an easement is reserved in an area five (5) feet by ten (10) feet in one corner of each lot (to be selected by Lessor) adjoining the road, for electric transformer vault and/or telephone and power service pedestals if any. And the assignment of the lease as to each individual lot shall be subject to the right to cross over or under the same along the lot lines, with utility lines if such may be necessary in the development of this subdivision or adjoining subdivisions.

6.03 Water. Each cabin site has or will be furnished water at or near the lot line. Each lessee agrees to receive water from the water system supplying the North Woods and further agrees to pay Lessor \$225.00 for the right to connect to said system.

6.04 Maintenance. The lessee shall bear the responsibility and expense of furnishing, installing, back-filling, and maintaining each underground trench or other digging upon such cabin site which is necessary for any utility connections or facilities to serve such cabin site.

## SECTION 7. MISCELLANEOUS

7.01 Lessee's Duties. Lessee agrees to comply strictly with the Lessor's rules and regulations and all applicable Federal, State, County, and Municipal laws, rules and regulations relating to all activities contemplated under this lease, including but not limited to, use of public or private roads, parking, fire and prevention of fire, public health, and pollution of streams or lakes, and to assume all obligations thereby imposed upon the Lessor. Lessor may inspect the cabin site and cabin at any time to determine compliance with the terms of this lease.

7.02 Indemnification. Lessee hereby agrees to assume all risk of, and indemnify and hold harmless, and account of personal injury to or death of any persons whomsoever, including but not limited to employees of the Lessor, or damage to or destruction of property to whomsoever belonging, including but not limited to property of the Lessor which might result from Lessee's activities on the leased premises. The Lessee further agrees to indemnify and save harmless the Lessor from any loss, cost, suit or expense resulting from Lessee's failure to comply with any of the provisions of any applicable laws, rules or regulations.

7.03 Insurance. Lessee shall obtain fire, casualty and liability insurance as follows:

(a) Fire and casualty insurance in a sufficient amount to cover the replacement cost of any or all improvements upon the leased premises. Such insurance shall be carried by a responsible company or companies satisfactory to Lessor and the policy or policies shall be endorsed and delivered to Lessor with provision for thirty (30) days' notice of cancellation to Lessor.

(b) Liability and property insurance insuring Lessor and Lessee against all liability for damages to persons or property caused by the maintenance, use or occupancy of the leased premises or by reason of the conduct of any activity carried on therein. Such insurance shall be carried by a responsible company or companies satisfactory to Lessor in amounts not less than the following limits, namely:

- (1) Bodily injury to or death of any one person, \$5,000.00;
- (2) Bodily injury or death resulting from any one accident to two or more persons, \$10,000.00; and
- (3) property damage, \$1,000.00.

Lessee shall deliver to Lessor certificates and receipts evidencing said policies of insurance and further provide with the company or companies for thirty (30) days' notice of cancellation to Lessor.

7.04 Assignment. Without the prior written consent of Lessor, Lessee shall not assign this lease or any interest therein, or sublet, and no heir, executor, administrator, receiver, trustee in bankruptcy or other assignee by operation of law shall assign or sublease without such written consent.

7.05 Waiver. Any waiver by the Lessor of any provisions hereof must be in writing, and any of the covenants, conditions, restrictions, in this lease may be annulled, waived, changed, or modified with respect to all or any portion of said property by Lessor at any time.

7.06 Attorneys' Fees. In the event any action, suit, proceeding or appeal therefrom is brought to collect the rent due or to become due hereunder, or any portion thereof, or to get possession of said premises, or to enforce compliance with this lease, or for failure to observe any of the covenants of this lease, the prevailing party shall be entitled to recover such sum as the Court may adjudge reasonable as attorneys' fees to be allowed in said suit, action, proceeding or appeal therefrom in addition to such other relief granted by the Court.

7.07 Condemnation. The parties hereto shall receive any sums or damages paid or awarded by reason of any taking, condemnation or acquisition during the existence of this lease as their interests therein shall then appear, whether or not by litigation, by any authority, person or corporation, whether public or private, of any title to or interest in all or any part of the premises.

7.08 Reservoir Level. The Lessee acknowledges by signing this lease that Pacific Power and Light Company has the right to fluctuate the waters of Swift Reservoir at any time within the provisions of Federal Power Commission License No. 2111 or as amended. The Lessee shall waive all claims or damage and shall indemnify Pacific Power and Light Company, the State of Washington, Lessor or their successors, if any, against any claim of damage arising from fluctuation in reservoir level or impairment of recreational use of the reservoir or shoreside or floating facilities.

7.09 Validity of Provisions. The determination of any Court that any provisions of this lease are unlawful or void shall not affect the validity of any other provision hereof.

7.10 Enforcement of Restrictions. Without in any way limiting the rights of Lessor, if the parties upon whom the provisions hereof are binding, or any of them, shall violate or attempt to violate any of the reservations, restrictions or covenants hereof, the Lessor or any lessee of land in the tract, shall have the right to compel performance of or compliance with the provisions hereof, to abate and remove, at the expense of the offending lessee or lessees of the property, any structures or erections in violation of the provisions hereof, to recover damages for any such violation or attempted violation of the provisions hereof and to prosecute any proceedings at law or in equity in furtherance of the aforesaid remedies in any Court having jurisdiction of such cases.

7.11 Reservations on Land. All of the reservations, conditions, covenants, agreements and restrictions shall run with the land and shall be binding on the lessees of all property covered hereby and all parties and persons claiming under them and on all property within the tract.

7.12 Assignment. Without limiting Lessor's right to sell or assign this lease or land, Lessor may assign this lease to a corporation, and if said corporation assumes the obligations of Lessor hereunder, Lessor shall thereby be released of and relieved from any and all obligations under this lease.



## SECTION 8. TERMINATION

**8.01 Default and Notice.** If any default shall be made on the part of the Lessee in the observance or performance of any of the terms, covenants, agreements, or provisions of this lease by him to be observed or performed and such default continues for sixty (60) days after written notice, the lessor may, at its option, immediately terminate this lease, forfeit Lessee's interest therein, and forthwith exclude the Lessee from the premises and from all rights hereunder, but the Lessee shall nevertheless be liable to the Lessor for all liabilities incurred hereunder prior to such termination. Waiver of any default hereunder shall not constitute a waiver of any subsequent default. Service of any notice provided for herein by the Lessor may be made by depositing such notice in the United States mails addressed to the Lessee at

**8.02 Master Lease Termination.** It is expressly understood that Lessor has leased the premises from the State of Washington for a period ending June 1, 2025. The master lease provides that in the event it is terminated for any reason whatsoever, prior to the lease termination date, such termination shall operate as an assignment to the State of Washington of this lease together with the unrestricted right of the State to receive payment of the rents herein provided from the date of said assignment.

**8.03 Failure to Provide Property Report.** Lessee shall have the option to void this lease if he does not receive a property report prepared pursuant to the rules and regulations of the U.S. Department of Housing and Urban Development, in advance of, or at the time of, his signing the lease; and Lessee shall have the right to revoke this lease within 48 hours after signing the lease if he did not receive the property report at least 48 hours before signing the lease. However, this option to void the lease shall not apply where Lessee has received the property report and inspected the lot or lots to be leased in advance of signing the lease and acknowledges by his signature that he has made such inspection and has read and understands such report.

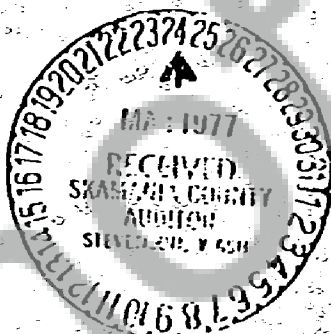
Lessee shall have the option to void this lease if he does not receive a property report prepared and pursuant to rules and regulations of the Oregon Subdivision Control Law ORS 92.210-92.990 in advance of his signing this lease.

Each and every provision of this lease shall bind and shall inure to the benefit of the respective heirs, representatives, successors and assigns of the parties. In the event lessee is more than one person, the liability of such persons hereunder shall be joint and several.

**8.04 Easements.** As shown on the plat of "The North Woods", 20 feet easements are reserved to the Lessor and its assigns on the water front portions of Lots 16, 17, 18, 19, 20, 21, 22, and 23 for purposes of community boat docks. Said easements shall not prevent lessees of the above lots from developing their own shoreside docks providing such facilities do not interfere with the boat traffic pattern of the community dock system.

Five foot easements are reserved to the Lessor and its assigns on the southerly lot line of Lot 10, and the northerly lot line of Lot 11 for access to the water front. Said access to serve as pathway to boat docks if it is determined by Lessor that additional boat docks are needed to serve "The North Woods" community.

IN WITNESS WHEREOF, the parties have executed this lease, in duplicate, this 17<sup>th</sup> day of February, 1977.



WATER FRONT RECREATION, INC.

By Judy Robertson  
President

By Barbara Wold  
Secretary

LESSOR

Harold R. Clunas  
Carol L. Clunas

LESSEE

YOU HAVE THE OPTION TO VOID YOUR CONTRACT OR AGREEMENT BY NOTICE TO THE SELLER IF YOU DID NOT RECEIVE A PROPERTY REPORT PREPARED PURSUANT TO THE RULES AND REGULATIONS OF THE OFFICE OF INTERSTATE LAND SALES REGISTRATION, U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, IN ADVANCE OF, OR AT THE TIME OF YOUR SIGNING THE CONTRACT OR AGREEMENT. IF YOU RECEIVED THE PROPERTY REPORT LESS THAN 48 HOURS PRIOR TO SIGNING THE CONTRACT OR AGREEMENT, YOU HAVE THE RIGHT TO REVOKE THE CONTRACT OR AGREEMENT BY NOTICE TO THE SELLER UNTIL MIDNIGHT OF THE THIRD BUSINESS DAY FOLLOWING THE CONSUMMATION OF THE TRANSACTION. A BUSINESS DAY IS ANY CALENDAR DAY EXCEPT SUNDAY AND THE FOLLOWING BUSINESS HOLIDAYS: NEW YEAR'S DAY, WASHINGTON'S BIRTHDAY, MEMORIAL DAY, INDEPENDENCE DAY, LABOR DAY, COLUMBUS DAY, VETERANS' DAY, THANKSGIVING AND CHRISTMAS.

I (we) hereby acknowledge that prior to the signing of this lease, I (we) have received, read, and understand the PROPERTY REPORT prepared pursuant to the rules and regulations of the U.S. Department of Housing and Urban Development (Office of Interstate Land Sales Registrations) and the PROPERTY REPORT prepared pursuant to rules and regulations of the Oregon Subdivision control law ORS 92.210 - 92.990. I (we) also acknowledge that I (we) have inspected the lot to be leased.

Harold R. Clunas  
Carol L. Clunas

LESSEE